INDEPENDENT OFFICES APPROPRIATIONS, 1963

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HEARINGS

BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 12711

MAKING APPROPRIATIONS FOR SUNDRY INDEPENDENT EXECUTIVE BUREAUS, BOARDS, COMMISSIONS, CORPORATIONS, AGENCIES, AND OFFICES, FOR THE FISCAL YEAR ENDING JUNE 30, 1963, AND FOR OTHER PURPOSES

Printed for the use of the Committee on Appropriations

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INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

MONDAY, AUGUST 6, 1962

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room F–37, U.S. Capitol Building, Hon. Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson, Ellender, Holland, Monroney, Allott, and Saltonstall.

OFFICE OF EMERGENCY PLANNING

STATEMENT OF EDWARD A. McDERMOTT, DIRECTOR, OFFICE OF EMERGENCY PLANNING; ACCOMPANIED BY JUSTICE M. CHAMBERS, DEPUTY DIRECTOR; CHARLES S. BREWTON, ASSISTANT DIRECTOR; JOHN E. COSGROVE, ASSISTANT DIRECTOR; IRVIN STEWART, DIRECTOR OF TELECOMMUNICATIONS MANAGEMENT; CHARLES H. KENDALL, GENERAL COUNSEL; WILLIAM B. RICE, DIRECTOR OF ADMINISTRATION; KENNETH A. McLEAN, CHIEF, BUDGET BRANCH; AND HUBERT R. GALLAGHER, ACTING DIRECTOR, LIAISON AND PUBLIC AFFAIRS

LETTER FROM THE PRESIDENT

Senator MAGNUSON. The committee will come to order.

We have under discussion this morning H.R. 12711, specifically appropriations for the Office of Emergency Planning.

I would like to put in the record the letter from the President of the United States, addressed to me, of August 2, 1962, on this matter.

(The letter referred to follows:)

THE WHITE HOUSE,
Washington, August 2, 1962.

Hon. WARREN G. MAGNUSON,
Subcommittee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR SENATOR: Legislation and appropriations are pending before the Congress on civil defense programs which would greatly increase the capacity of this country to survive and recover after a nuclear blow. Your subcommittee has jurisdiction over these appropriations. I wish again to state my view that, in these times, the Federal Government has an inescapable responsibility to take practical and sensible measures to minimize loss of life in the event of nuclear attack, to continue the essential functions of the Government, and to provide a base for our survival and recovery as a nation. These matters are an integral part of a balanced defense program for the security of our nation.

You know from your own experience how the sense of urgency with which we view these matters fluctuates. When a crisis is near, we pay attention to them; when it seems distant, they recede from the forefront of our concern. It is important that we overcome our natural tendency to put off making preparations for a contingency which is both awful and unlikely.

Last year I sent to the Congress a program embodying my views of what is a sensible and practical program, which focused on protecting as many of our people as possible against lethal fallout radiation. The Secretary of Defense and my other senior advisers on this subject had intensively reviewed what is known and what is not known about the possible effects of nuclear warfare. The conclusion was clear that, for the foreseeable future, under a wide range of attack assumptions, large numbers of lives could be saved by adequate fallout shelter space. Postponement of practical measures to shield our people from fallout radiation cannot be justified by the inevitable imponderables and the continuing need for a greater research effort. The Department of Defense is continuously examining present and future weapons systems and studying the effects of a wide range of hypothetical nuclear attacks. Nothing in the studies that have been made since last year's decisions justifies change of the program which we have proposed.

The Defense Department survey, which was the first step in our new program, reveals that we already have enough shelter space for 60 million people which needs only to be marked and provisioned. Funds made available for fiscal year 1962 have financed completion of the survey and procurement of over half of the necessary provisions. Thus we are beyond debating whether to create public shelter systems; we have now done it as a result of the action taken by Congress at my request last summer. When we complete this task, the chances of survival of tens of millions of Americans will be improved at a cost of $3 to $4 for each person. We may well take satisfaction in this achievement.

Communities planning to create an effective shelter program founded on space identified in the national survey must be able to act in reliance on the Federal Government to carry out announced plans to deliver shelter supplies, improve the warning system, equip a radiological monitoring net, protect emergency broadcasting stations, and provide training materials and instructor training to meet the need for specialized skills in each shelter. The Defense Department is dependent upon the pending $235 million appropriation request to carry out the Federal Government's share in this undertaking.

Municipal governments and building owners around the country are now faced with the difficult task of working out the details of making effective use of the surveyed shelter space. This is not an easy thing to do. It is gratifying to all of us to see so many hard-pressed mayors, county commissioners, building owners, school superintendents, businessmen, and other community leaders stepping up to this job. This will be our country's first experience with the practical problems of sheltering large numbers of people. I anticipate far better understanding of what can be done to meet the problems presented by the risks of nuclear attack after Federal, State, and local government programs are translated into something visible and immediately useful in the months ahead.

I particularly wish to call attention to the importance of continuing last year's program for adding low-cost fallout shelter space to suitable buildings owned or leased by the Federal Government. Successful completion of the first phase of the new civil defense program depends on public-spirited decisions by building owners to allow their property to be used for the protection of people working or living nearby. Failure of Federal, State, and local governments to provide shelter space in public buildings makes it difficult to communicate to our citizens the priority which this type of protection must command. Many Americans in public and private life have been and will soon be actively participating in the new civil devense program in reliance on Federal leadership and support.

The second phase of the new civil defense program will provide financial help to schools, hospitals, and similar nonprofit institutions electing to include fallout shelter space needed in their buildings. It requires legislation which is pending before the two Armed Services Committees and, therefore, is not effectively before the Appropriations Subcommittees.

A decision to put public money into shelters in privately owned buildings is a difficult one which deserves deliberate and careful scrutiny by the appropriate committees of Congress. I had hoped that hearings for this purpose would have taken place earlier in this session when there was time and an opportunity to give the matter the necessary attention. At this late juncture, I can appreciate the preference of the chairmen of the Armed Services Committees to defer these im-

portant hearings until early in the next Congress when they can be given the time and attention of those concerned. However, local planing to meet requirements for new shelter space, which is closely related to plans to use existing shelter, is likely to be delayed pending clarification of the proposed Federal financing for shelter space in schools, hospitals, and other community institutions. Accordingly, I am requesting that these hearings be held early enough to enable a supplemental request for enough fiscal year 1963 funds to keep pace with those communities and eligible institutions with plans for creating new fallout shelter spaces.

I am sending similar letters to the chairmen of other congressional committees with responsibilities in this matter.

Sincerely,

JOHN F. KENNEDY.

HOUSE ACTION

Senator MAGNUSON. This is the office of Emergency Planning.

The amount, for the record, the total amount, of appropriations in 1962 were $86,550,000. The budget estimates for 1963 were $11 million.

The House recommended $9 million which, of course, is a cutback of $77,550,000, but $2 million from the 1963 estimates.

The cutback, I think the record should show, is due to a transfer of much of the activities to another department of Government.

We will put your letter, justifications, and statement in the record in full and you can go ahead and start with it now.

(The letter, justifications, and statement of Mr. McDermott follow:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
OFFICE OF THE DIRECTOR,
Washington, D.C., August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: In response to your letter of July 27, 1962, concerning our recommendations for changes in the independent offices appropriation bill for 1963, I am transmitting four proposed amendments to the House bill.

The net effect of the House bill will be to—

1. Seriously impair the agency's ability to discharge its responsibilities in essential security planning and emergency preparedness areas and in telecommunications;
2. Eliminate all OEP-sponsored research and development to meet requirements in essential security program areas;
3. Reduce the ability of many Federal agencies to develop an operational capability to function within their areas of responsibility in the event of national emergency;
4. Eliminate the entire program for providing financial assistance to States and local governments in their planning for postattack economic recovery.

We requested $11 million in 1963 for programs under our immediate direction. The House bill reduces this request to $4 million, a cut of 64 percent. The various Federal agencies requested a total of $6,876,000 within their regular budgets for emergency planning activities. The House bill combines these activities into a single appropriation under OEP administration and reduces the request to $5 million, a cut of 27 percent.

The reasoning behind the drastic reductions recommended by the House appears to be based on these two arguments:

1. OEP has similar responsibilities to the former Office of Defense Mobilization organization in 1958 but is substantially larger.
2. Emergency planning has been going on for 10 years. Presumably, the plans should have been completed during this long period, hence we can afford to reduce our effort accordingly.

In answer to the claim that OEP is basically a continuation of the old ODM organization, I would like to point out that the two agencies are not directly comparable for two reasons:

1. The scope and magnitude of the nuclear threat has increased enormously since 1958. As a result, the problem of developing plans for economic mobi-

lization is infinitely more complex and difficult. ODM was oriented primarily around a conventional World War II type of mobilization. Economic mobilization plans today must reflect current military realities. This requires extensive research on the effect of nuclear weapons on our industrial capacity.

2. The Office of Emergency Planning has many responsibilities which were never performed by ODM, including disaster relief, stimulation and guidance of State and local planning for emergency resources management and economic stabilization, important new telecommunications management functions, coordination of Federal emergency preparedness at the regional level, and direction and staffing of relocation sites.

The claim that we can reduce emergency planning as a result of our work in prior years might be supportable if all political, economic, and military factors could be held constant. Unfortunately we live in a changing world. Any plan would become obsolete in a very short time unless it were continually updated to reflect changes in military technology and strategy. An obvious example is found in plans which depended for success on the hours of attack warning that manned bombers might allow. These, of course, need complete revision now that missiles have reduced the possible warning time to minutes.

The drastic reduction proposed by the House comes at a time when emergency planning is more important and critical than ever. At the time of the 1961 Berlin crisis, a special study of the Nation's emergency preparedness indicated an urgent need to revise plans and strategic concepts to take into account dramatic advances in weapons technology. There was also criticism by the Joint Committee on Defense Production that there was a void in emergency planning and preparedness at the State and local levels and that the Federal effort was far from adequate. Subsequently, actions were initiated by the President to update and expand our plans for emergencies in the light of the changing military and international situation. In addition, special responsibilities have been assigned to the agency such as emergency information planning and studies of stockpile requirements, fuel, transportation and textiles.

For OEP functions a total of 551 positions were justifiable at the time of the split of OCDM. Through reorganizations, streamlining, and general improvement of the agency we felt that in 1963 OEP could be operated with 450 people. In addition to this voluntary reduction of 101 people the House bill would further cut the agency by approximately 250 positions and would critically impair its ability to respond to the Nation's emergency preparedness requirements. I therefore strongly recommend that you and your subcommittee give careful consideration to our proposed amendments and restore the funds eliminated by the House.

Sincerely,

J. M. CHAMBERS, *Deputy Director.*

SALARIES AND EXPENSES

(1962 act, $7,930,000; 1963 estimate, $8,000,000; H.R. 12711, $4,000,000)

(House hearings, p. 207)

REQUESTED AMENDMENT TO H.R. 12711

Page 2, line 24, strike out "$4,000,000" and insert in lieu thereof "$8,000,000."

HOUSE REPORT NO. 2050

"This agency coordinates the nonmilitary program for the defense of the United States under a delegation of authority from the President. It works with Federal agencies and seeks to mobilize State, local, and private participation. Its responsibilities are very similar to those of the Office of Defense Mobilization in 1958. Emergency planning has been going on for many years and the committee is recommending $4 million to continue such planning and coordinating activities in 1963 instead of $8 million as proposed in the budget estimate."

EFFECT OF HOUSE ACTION

The House bill would seriously impair the agency's ability to discharge its responsibilities in essential security planning and emergency preparedness areas and telecommunications. In addition, all OEP sponsored research and development to meet requirements in essential security programs would be eliminated.

JUSTIFICATION FOR RESTORATION

In recommending a reduction in the budget request for salaries and expenses from $8 million to $4 million, the House committee assumed that the current responsibilities of the Office of Emergency Planning are similar to those of the Office of Defense Mobilization (ODM) in 1958. The two agencies are not directly comparable for two reasons. First of all, the change in our military strategic situation since 1958 has been enormous. The mobilization plans developed by ODM did not have to account for the infinite variety and pattern of damage to our industrial capacity which ICBM warfare could produce today. Considering the range and destructive power of modern day weapons, the job of planning for economic recovery is far more complex and difficult. A considerable amount of sophisticated research is required into the effect of nuclear attack on our economic resources in order to obtain a factual basis for realistic emergency plans.

Further, many additional responsibilities have been assigned to OEP and significantly greater direction and emphasis are being given to the old responsibilities. Typical of the current OEP functions are—

1. Advice and assistance to the President in the total nonmilitary defense effort, including the coordination of the efforts of Federal agencies and assistance to States and communities in negotiating interstate and intercommunity agreements.
2. Establishment of standards of performance and monitoring and inspection of progress within the Federal agencies.
3. Development and maintenance on a current basis of mobilization plans.
4. Investigation and recommendation with respect to imports alleged to threaten to impair the national security.
5. Development of national plans and programs for continuity of government, resource management, and economic stabilization.
6. Guidance and leadership toward continuity of government, resources management, and economic stabilization at the State and local level.
7. Policy direction and maintenance of security of classified facilities.
8. Research and development responsibilities.
9. Natural disaster relief program.
10. Telecommunications functions.

The House bill would eliminate the entire research program of $1,500,000. Although OEP relies to a great extent on research performed by other agencies, there are many requirements unique to OEP which cannot be obtained elsewhere. An important part of OEP's research effort in 1963 will be devoted to strengthening a national resource evaluation program. The National Resource Evaluation Center (NREC) is in a protected facility outside of Washington. NREC, using electronic computer techniques, estimates casualties, resource damage, and the condition of surviving resources under various attacks. It is also developing sophisticated analytical tools for analyzing the effects on the mobilization base of any proposed Government program or change in the economy. These estimates are used by the National Security Council, the Department of Defense, and other departments and agencies as well as OEP. To be of maximum service to other Federal agencies and to OEP, advanced computer and mathematical techniques have to be developed to handle the unending number of variables.

This reduction in resources to carry out the agency's programs comes at a time when emergency plans in both the civil and economic fields are of critical importance. At the time of the 1961 Berlin crisis, a special study of the Nation's emergency preparedness indicated an urgent need to revise plans and strategic concepts to take into account dramatic advances in weapons technology. The basic assumptions behind the continuity of Government program had been formulated when the main threat consisted of Soviet bombers and when warning time was measured in hours rather than minutes. There was also criticism by the Joint Committee on Defense Production that there was a void in emergency planning and preparedness at the State and local levels and that the Federal effort was far from adequate. Subsequently, actions were initiated by the President to update and expand our plans for emergencies in the light of the changing military concepts and international situations. In addition, special responsibilities have been assigned to the agency such as emergency information planning and studies of stockpile requirements, fuel, transportation, and textiles.

The Office of Emergency Planning has been reorganized to enable it to move rapidly and directly to correct these deficiencies and fulfill the President's requirements—and with a smaller and more efficient staff. Last August when OCDM was split and the shelter program transferred to the Department of Defense, OEP was left with 551 employees. Since that time over 100 positions

were abolished or transferred. The 450 positions requested for 1963 is an extremely austere staffing level in comparison to the job at hand. Cutting this level in half, as proposed by the House, would critically impair OEP's ability to respond to the Nation's emergency preparedness needs. It is, therefore, strongly urged that the entire House reduction of $4 million be restored by the Senate.

Salaries and Expenses—General Restrictions

REQUESTED AMENDMENT TO H.R. 12711

Page 3, line 3, after the words "to exceed $75." insert, ": *Provided further*, That $1,500,000 of the foregoing amount shall remain available until expended for studies and research to develop measures and plans for emergency preparedness."—restoring the appropriation language to that contained in the estimate.

JUSTIFICATION

The House reduction of $4 million to the salaries and expenses appropriation would deny the entire $1,500,000 requested for research and development. The corresponding language permitting the funds to remain available until expended was deleted as well. This amendment will restore the authority to use $1,500,000 of the salaries and expenses appropriation beyond the end of the fiscal year. The justification for restoring the funds is presented in a separate proposed amendment to the House bill.

The OEP research program will be conducted by contract with qualified universities and private research organizations. It is difficult to predict the exact time a contract may be entered into or the length of time required to complete.

Although OEP has well formulated requirements, it may be prudent to delay a contract award beyond the end of the fiscal year in order to find the contractor most suitable and qualified to carry on the work at terms advantageous to the Government. Unexpected delays and difficulties are always experienced in any research program which extends the completion date beyond the original estimate. A contemplated project might justifiably be delayed because the preliminary results of another research project have a possible bearing on the contemplated project. For these reasons, and to insure the effective and economical administration of the research program, it is requested that authority be provided for the funds to carry over for obligation in subsequent years. Restoration of the original language proposed by OEP is strongly recommended.

Postattack Planning

(1962 act, 0; 1963 estimate, $3,000,000; H.R. 12711, 0)

(House hearings, p. 207)

REQUESTED AMENDMENT TO H.R. 12711

Page 3, line 4, preceding the words "civil defense" insert the following paragraph:

"POSTATTACK PLANNING

"For expenses, not otherwise provided for, necessary for studies and research to develop State and local programs for the effective use in time of war of natural and industrial resources for military and civilian needs, for the maintenance and stabilization of the civilian economy in time of war, and for the adjustment of such economy to war needs and conditions, including services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), $3,000,000, to remain available until expended (50 U.S.C. 404)."

This restores the appropriation language and requested amount contained in the estimate.

HOUSE REPORT NO. 2050

"The $3 million requested to begin a 3-year program of grants to States for postattack planning has been denied. The Federal Government has been doing this type of planning for 10 years."

EFFECT OF HOUSE ACTION

The House action would eliminate the entire program for providing financial assistance to States and local governments in their planning for postattack

economic recovery. The lack of a coordinated, nationwide plan for emergency resource management at the State and local level could mean the difference between survival or destruction in the event of nuclear war.

JUSTIFICATION FOR RESTORATION

The House committee, in denying all funds for this program, remarked that the Federal Government has been engaged in this type of planning for 10 years. An implication was left that nothing more need be done. Actually, the type of assistance rendered to the States by OCDM and its predecessor, FCDA, dealt primarily with civil defense and continuity of government. The whole problem of resource management at the State and local level following a nuclear strike was virtually ignored due to the more pressing and immediate problem of protecting the civilian population.

Federal plans have been developed to stabilize the economy and manage resources, but nuclear attack on this country might be so devastating (as has become apparent in the last few years) that some period of time may elapse before Federal plans could be implemented. During such an interim period, we must rely on the State and local governments to manage their resources and economies in the national interest.

To assist the State and local governments in preparing for this task, OEP has developed a comprehensive program and a detailed planning guide. A series of conferences has been held during which the program was discussed with State and local officials and community leaders.

It is proposed to support the States and local areas to develop emergency resource management plans consistent with national policies, plans, and procedures. The cost of this effort would be shared by the Federal Government, the State and local governments, and private individuals and organizations. Experience gained in a pilot project shows a breakdown of approximately 17 percent Federal support, 23 percent State and local, and 60 percent private support.

The funds requested for 1963 would enable concrete plans to be developed in about 15 States and 30 local areas. Coverage of the remaining States and local areas will be undertaken over the following 2 years. The program of Federal assistance will not continue once State and local plans have been completed.

This program is vital to our national security and has the wholehearted backing of State and local officials. It is urgently requested that the entire amount of $3 million eliminated by the House be restored.

Civil Defense and Defense Mobilization Functions of Federal Agencies

(Estimate, $6,876,000; 1962 act, $5,000,000; H.R. 12711, $5,000,000)

(House hearings, p. 284)

REQUESTED AMENDMENT TO H.R. 12711

Page 3, line 11, strike out "$5,000,000" and insert in lieu thereof "$6,876,000", the estimate.

HOUSE REPORT NO. 2050

"*Civil defense and defense mobilization functions of Federal agencies.*—For civil defense and defense mobilization activities of other Federal agencies, the committee recommends $5 million, the same amount as was appropriated for this purpose in 1962. The committee recommends that delegations, other than those of the Department of Defense and the Department of Health, Education, and Welfare to maintain the medical stockpile, be financed from this one account, with sums as necessary to be allocated by OEP. The $6,876,000 included in budget programs of individual agencies to finance such functions have been or will be deleted from other parts of this and other bills. This fund is intended to finance only essential responsibilities delegated by Executive orders in civil defense and emergency preparedness for which an agency has no statutory responsibility. Departments should not expect additional funds for tasks they would normally be expected to perform without a specific delegation."

JUSTIFICATION

On February 16, 1962, the President issued Executive orders assigning specific emergency planning functions to the following nine departments and agencies of the Federal Government: Department of Agriculture, Department of Commerce, Federal Aviation Agency, Department of Health, Education, and Welfare, Housing and Home Finance Agency, Department of the Interior, Interstate Commerce Commission, Department of Labor and Post Office Department. Copies of these Presidential assignments are available for the committee.

The amounts requested are necessary for these departments and agencies to carry out their assigned functions. In addition, $207,000 is requested for Treasury Department, Small Business Administration, Veterans' Administration, and the Federal Communications Commission whose Executive orders are in preparation.

These Executive orders provide clear direction from the President for carrying out specific preparedness functions. The Office of Emergency Planning will closely review and monitor progress under the provisions of the Executive orders and will measure results against specific objectives.

The individual departments and agencies were requested by the Bureau of the Budget to include the amounts for civil defense and defense mobilization functions in their own budgets. The House of Representatives action removed the individual amounts and appropriated the sum of $5 million to the OEP for allocation to the individual departments and agencies. The House action reduces the 1963 budget to slightly below the 1962 level and provides for no expansion under the Executive order assignments made by the President. An increase from $5 million to $6,876,000 is requested to carry out the following programs:

Agriculture.—An increase of $101,355 is requested to finance the broadened preparedness responsibility of the Department of Agriculture under Executive Order 10998 issued by the President on February 16, 1962. Under that order the Secretary of Agriculture is required to prepare national emergency plans and develop preparedness programs covering food resources, farm equipment, fertilizer, and food resource facilities. The increase will make it possible to accelerate food management planning with State and local governments and with the food industry. The objective will be to assure continued production, processing, and flow of food in a postattack emergency.

Commerce.—An increase of $175,000 is required for the transportation staff to perform the emergency transportation coordinating functions recently assigned to the Department of Commerce by Executive order. The 14 people requested will integrate mobilization requirements for all modes of transportation. An increase of $127,000 is requested for the Bureau of Census computations of surface areas within National Location Code geographic locations. These computations will provide necessary data for damage assessment and other resource availability analyses by the National Resources Evaluation Center.

Federal Aviation Agency.—An increase of $79,000 is requested for the Federal Aviation Agency to extend its assistance to airlines in developing disaster plans. A case study outlining the vulnerability and emergency use of facilities was prepared during 1962 and issued to all U.S. air carriers. There is need to increase contacts with all elements of general aviation (i.e., 600 repair stations, 2,400 air-agency and air-taxi operations bases, 1,200 non-Federal civil aviation communications stations and dispatching centers.) Field operation courses would be conducted with these increased funds at all FAA field offices. One engineer in each of the offices will be given training in atomic, biological, and chemical defense. Special projects will be undertaken to develop a prototype plan and provide assistance for small and medium-size airports in preparing to meet emergency conditions.

Federal Communications Commission.—An increase of $52,209 is shown for FCC. This is not truly an increase but the same expenditure as previous year which was financed from their regular appropriation; $52,209 represents funds normally spent by FCC in the performance of emergency planning and mobilization functions with the broadcast industry. The FCC also provides a staff member at the National Resource Evaluation Center.

Health, Education, and Welfare.—Presidential assignments to this Department include the emergency health program, emergency food and drug program and the emergency welfare program. Funds for the emergency health program will be covered by the Department of Health, Education, and Welfare and are not considered in this appeal. The total program for emergency food and drug activities, emergency welfare, and the related field planning proposed for 1963 is

an increase of $79,000 over the 1962 level of $627,500. The emergency food and drug program has as its goals:

1. To provide a safe supply of food and drugs postattack.
2. To advise people how to decontaminate food and drugs.
3. To assist in renewing, postattack, the production of safe food and drugs.

In 1962, 37 training courses in emergency food and drug procedures were presented to Federal, State, and local officials and to the food industry in 24 States; $15,000 of the increase requested for 1963 is for employment on a full-year basis of 2 instructor positions filled for only part of the year in 1962.

An increase of $48,000 is requested for carrying out emergency welfare functions. One professional staff member is now provided at each of six HEW regional offices to assist State and local welfare agencies in emergency preparedness. Their objective is to "develop local competency to provide essential welfare aid and services to all persons in need in the event of a national emergency, including groups needing specialized services—children, handicapped, aged, and others." A survey of the emergency welfare readiness in 27 communities is planned for 1963. The requested increase would provide for emergency welfare positions at the other three regional offices. These additional positions are necessary to provide assistance to the States of New York, Pennsylvania, New Jersey, Delaware, Missouri, Iowa, Minnesota, North Dakota, South Dakota, Nebraska, Kansas, Colorado, Utah, Wyoming, Idaho, and Montana.

Housing and Home Finance Agency.—An increase of $89,125 is proposed in the Housing and Home Finance Agency request. By Executive order the President assigned to HHFA the responsibility for developing national preparedness programs covering all aspects of lodging or housing and community facilities.

The $89,125 is required to increase the staff from 18 to 25 persons to carry out the responsibilities under the Executive order. Elimination of the increase could seriously limit the progress which should be made, particularly in the emergency housing field.

Interior.—The increase of $57,400 is to provide for additional training courses and guidance to the oil and gas, water and power, and minerals industries in emergency operations, protection from radiological effects and security and protection from possible enemy action. This money will also provide three oil and gas experts for the three remaining OEP regions, giving all OEP regional offices staff support in this important area.

Interstate Commerce Commission.—The requested increase of $105,000 is to provide for 11 positions to work with the operating bureaus of the Commission: Bureau of Operating Rights, Bureau of Traffic, and Bureau of Water Carriers and Freight Forwarders, particularly to develop a system of claimancy and resource management for all modes of surface transportation. A national priority system would also be developed during fiscal year 1963. The effect of the House action would be to hold ICC to its present level and to eliminate 11 positions from the request. This would make impossible substantial progress in the fields described.

Labor.—Among the emergency responsibilities assigned to the Department by the February 16 Executive order, two of the most important are the mobilization of civilian manpower in an emergency, and provision for wage stabilization under emergency conditions. During fiscal year 1962 the Department of Labor developed a plan for assignment of particular elements of the labor force to emergency tasks consistent with the jobs which they do day to day. Task forces of construction workers were established in five Florida communities. Although established for postattack use, this emergency arrangement can also be used during peacetime emergencies such as hurricanes. The 1963 request contemplates extending the task force plan to other work groups in 50 additional communities, one in each State. The effect of the House action would seriously delay the installation of this program nationwide.

The Labor Department provides funds to State employment security agencies for personnel to carry on planning for emergency manpower activities including installation of task forces. In fiscal year 1962 funds were provided for the equivalent of 85 personnel. In fiscal year 1963 it is proposed to use these personnel, with the requested increase of five, to install local operating programs previously developed at the State level. In fiscal year 1962 funds for State agencies were supplemented by carryover of unexpended State funds for manpower mobilization planning. Such carryover is not available for fiscal year 1963. Holding this program at the 1962 level would result in a reduction of approximately 20 positions in State employment security agencies.

Post Office.—The Post Office Department has made excellent strides in preparing the postal system of the United States for adaptation to emergency situations. Continued progress is expected during 1963 with all postal employees being instructed in emergency procedures. All post offices in the United States will receive specific assignments during 1963.

No increase is requested for fiscal year 1963. The $11,000 requested covers the position of one employee who is responsible for planning and programing the national registration program for registering persons and families, receiving and answering welfare inquiries, and reuniting families in emergencies.

Treasury.—An increase of $12,637 is provided. The Department has eight positions for its emergency preparedness functions in monetary credit, and banking matters. These were not filled for the full year. The increase in funds will provide full year financing. No increase in staff is planned.

Small Business.—The proposed $25,800 increase is for two additional positions. These personnel will develop procedures and arrangements for Small Business Administration to serve as prime contractor to small businesses in defense contracting in a postattack situation.

Veterans' Administration.—No increase is planned. The funds which were originally requested in the Veterans' Administration appropriation cover the cost of a representative at the National Resources Evaluation Center.

Office of Emergency Planning

Summary of appropriations

Appropriations	1961 actual	1962 actual	1963 estimate	1963/1962 difference
Salaries and expenses	$25,346,000	$7,930,000	$8,000,000	+$70,000
Postattack planning			3,000,000	+3,000,000
Civil defense and defense mobilization functions of Federal agencies	6,567,000	4,520,850		−4,520,850
Federal contributions	16,000,000	814,201		−814,201
Emergency supplies and equipment	9,175,000	318,841		−318,841
Research and development	4,000,000	766,200		−766,200
Construction of facilities		2,500,000		−2,500,000
Subtotal, OEP	61,088,000	16,850,092	11,000,000	−5,850,092
Disaster relief, Executive Office of the President		21,000,000		−21,000,000
Total, all appropriations	61,088,000	37,850,092	11,000,000	−26,850,092

Appropriation history

Fiscal year:	
1951	$26,750,000
1952	77,021,250
1953	44,250,000
1954	49,275,000
1955	50,186,000
1956	70,900,000
1957	95,760,000
1958	41,561,300
1959	45,285,000
1960	52,885,000
1961	61,088,000
1962	[1] 16,850,092
Subtotal	631,811,642
1963 (request)	11,000,000
Total	642,811,642

[1] Excludes $69,699,908 appropriated to OCDM for civil defense functions transferred to the Secretary of Defense by Executive Order 10952 on Aug. 1, 1961, and medical stockpile functions transferred to DHEW by Executive Order 10958 on the same date.

NOTES

Excludes civil defense procurement fund.

Amounts listed for each year include supplementals and deficiencies.

Prior year data include the Office of Defense Mobilization, the Federal Civil Defense Administration, and the Office of Civil and Defense Mobilization.

Amounts listed for each year do not include funds for disaster relief, as this account is appropriated directly to the President.

INTRODUCTION

The Office of Emergency Planning's principal responsibility is assisting the President in the planning and administration of the Nation's nonmilitary defense, a job which can properly be viewed only in the broader perspective of the total national security effort. Political and economic defense planning, and direct military preparations are mutually dependent and must be planned within a common framework of concepts and assumptions. Every point in the preparations for nonmilitary defense is affected by, or affects, the national military defense plans and objectives.

Nonmilitary defense is composed of two principal elements: One is civil defense, the direct responsibility for which has been assigned to the Department of Defense. The other part is concerned with the preservation, or reconstruction, of national political and economic structures and systems. This is the responsibility of the Office of Emergency Planning. The Government and the economy must be prepared to support national security objectives, and, more important, to preserve those political and economic freedoms which distinguish us from our enemies.

The budget estimates emphasize the planning directed to these ends. They are divided into categories of Executive direction, emergency planning, resource planning, and research and development. Funds are also sought to provide guidance and assistance to States and local governments in postattack planning, and to administer disaster relief. The estimates do not cover detailed operations or promotional activities. These have been transferred to regular operating agencies. Rather, there is a relatively small headquarters staff supported by eight area offices. This staff is charged with identifying the character of the contingencies facing us, and preparation of plans suitable to those contingencies. It insures that these plans are executed by appropriate agencies of the Federal and other levels of government.

The principal categories of planning in which OEP is engaged are the preservation of our national political structure, the preservation and use of Government organizations, facilities, and personnel, including the temporary conduct of Government business from other places, and the preservation and use of the economy. By far the most complicated of these are the plans for using the economy to sustain the Nation in its national purposes; and to preserve its identity and recreate its abilities if an attack should occur. OEP is concerned with plans and preparations for the most effective use of resources to support national security objectives, including creation and maintenance of emergency stockpiles where necessary. The agency is also concerned with emergency plans for highly sophisticated fiscal, credit, and monetary systems, and with direct wartime controls over resources. Finally, the agency is concerned in planning in the extremely sensitive area of national and international telecommunications.

It will be necessary to engage in some contractual research on subjects not able to be pursued in detail by the small staff contemplated. This will allow specific problems to be solved and competences to be tapped without building a large permanent organization within the Executive Office.

Salaries and expenses—Summary of obligations by activities

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
1. Executive direction	$3,125,776	$3,220,826	$2,944,300	−$276,526
2. Emergency planning	2,158,662	1,938,300	1,959,800	+21,500
3. Resources and production planning	2,082,435	1,864,800	1,595,900	−268,900
4. Civil defense	17,786,746	906,074		−906,074
5. Research and development	5,720,210	843,289	1,500,000	+656,711
Total obligations	30,873,829	8,773,289	8,000,000	−773,289
Comparative transfers from (−) other accounts	−5,720,210	−843,289		+843,289
Unobligated balance lapsing	192,381			
New obligational authority (appropriation)	25,346,000	7,930,000	8,000,000	+70,000

Appropriation history

Fiscal year:	
1951	$1,750,000
1952	[1] 13,271,250
1953	9,250,000
1954	11,275,000
1955	12,186,000
1956	14,350,000
1957	17,760,000
1958	[2] 19,261,300
1959	[3] 20,785,000
1960	[3] 23,285,000
1961	[4] 25,346,000
1962	[5] 7,930,000
Subtotal	176,449,550
1963 (request)	8,000,000
Total	184,449,550

[1] Includes supplemental of $365,000 to cover pay act costs.
[2] Excludes transfer of $119,779 from emergency supplies and equipment to cover pay act costs.
[3] Excludes amounts appropriated for functions of other agencies which are shown under "Civil defense and defense mobilization functions of Federal agencies," as follows: 1959, $500,000; and 1960, $6,250,000.
[4] Includes supplemental of $646,000 due to pay increase.
[5] Excludes $17,070,000 appropriated to OCDM, but transferred to Department of Defense and DHEW with functions transferred by Executive Orders 10952 and 10958.

NOTES.—Amounts listed for each year include supplementals and deficiencies. Prior year information includes the Office of Defense Mobilization, the Federal Civil Defense Administration, and the Office of Civil and Defense Mobilization.

Postattack planning—Summary of obligations by activities

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
Postattack planning (total obligations object class 25)	----------	----------	$3,000,000	+$3,000,000
New obligational authority (appropriation)	----------	----------	3,000,000	+3,000,000

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

Appropriation history

Fiscal year:	
1956	$1,500,000
1957	4,000,000
1958	----------
1959	[1] 500,000
1960	[2] 6,250,000
1961	[3] 6,567,000
1962	[4] 4,520,850
Subtotal	23,337,850
1963 (request)	([5])
Total	23,337,850

[1] The 1959 appropriation was granted under "Operations, FCDA," and is shown here for purposes of comparability.
[2] The 1960 amount was granted under "Salaries and expenses, OCDM," and is shown here for purposes of comparability.
[3] Includes supplemental of $317,000 due to pay increase.
[4] Excludes $479,150 appropriated to OCDM but transferred to "Civil defense," Department of Defense.
[5] Estimates for activities previously carried under this title have been transferred to the appropriations of other Federal agencies.

Summary of obligations by activities

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
1. Department of Agriculture	$280,744	$155,145		−$155,145
2. Department of Commerce	2,577,887	2,260,282		−2,260,282
3. Federal Aviation Agency	148,754	51,000		−51,000
4. Federal Communications Commission	15,292	15,300		−15,300
5. General Services Administration	95,200			
6. Department of Health, Education, and Welfare	1,634,244	741,500		−741,500
7. Housing and Home Finance Agency	160,000	111,875		−111,875
8. Department of the Interior	365,649	426,500		−426,500
9. Interstate Commerce Commission	70,000	70,000		−70,000
10. Department of Labor	1,065,393	600,348		−600,348
11. Post Office Department	25,000			
12. Treasury Department		56,000		−56,000
13. Small Business Administration	15,839	16,200		−16,200
14. Veterans' Administration	16,663	16,700		−16,700
Total obligations	6,470,665	4,520,850		−4,520,850
Unobligated balance lapsing	96,335			
New obligational authority	6,567,000	4,520,850		−4,520,850

RESEARCH AND DEVELOPMENT—SUMMARY OF OBLIGATIONS BY ACTIVITY

Comparative transfers to other accounts	$5,720,210	$843,289		−$843,289
Unobligated balance brought forward	−2,674,248	−1,064,670		1,064,670
Recovery of prior year obligations	−110,632			
Unobligated balance carried forward	1,064,670			
Unobligated balance transferred to "Shelter researchand development and construction," Civil defense, Defense		987,581		−987,581
New obligational authority	4,000,000	766,200		−766,200

Appropriation history

Fiscal year:	
1956	$10,000,000
1957	10,000,000
1958	2,000,000
1959	2,000,000
1960	4,000,000
1961	4,000,000
1962	[1] 766,200
Subtotal	32,766,200
1963 (request)	[2]
Total	32,766,200

[1] Excludes $1,233,800 appropriated to OCDM but transferred to "Civil Defense", Office of Civil Defense, Department of Defense.

[2] Estimates for activities previously carried under this title have been transferred in the estimates to "Shelter, research and development and construction," Office of Civil Defense, and "Salaries and expenses," Office of Emergency Planning.

NOTE.—Amounts for each year include supplementals and deficiencies.

Federal contributions—Summary of obligations by activities

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
1. Survival supplies and equipment	$8,386,836			
2. Emergency operating centers	2,081,458			
3. Personnel administrative expenses	3,482,757	$814,201		−$814,201
Total obligation (object class 41)	13,951,051	814,201		−814,201
Unobligated balance lapsing	2,048,949			
New obligational authority	16,000,000	814,201		−814,201

Appropriation history

Fiscal year:	
1951	[1] $25,000,000
1952	7,750,000
1953	15,000,000
1954	10,500,000
1955	[2] 12,000,000
1956	12,400,000
1957	17,000,000
1958	17,000,000
1959	----------
1960	10,000,000
1961	16,000,000
1962	[3] 814,201
Subtotal	143,464,201
1963 (request)	[4]
Total	143,464,201

[1] $10,400,000 of this amount was later transferred to the "Emergency supplies and equipment" appropriation.
[2] Excludes reappropriation of $1,300,000 from the 1954 Federal contributions appropriation.
[3] Excludes $21,185,799 appropriated but transferred to "Civil Defense," Department of Defense.
[4] Estimate of $32,000,000 for activities previously carried under this title has been transferred in the estimates to "Operation and maintenance," Office of Civil Defense.

NOTE.—Amounts for each year include supplementals and deficiencies.

Emergency supplies and equipment—Summary of obligations by activities

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
1. Medical supplies and equipment	$3,458,545	$219,953	----------	−$219,953
2. Chemical, biological, and radiological equipment	5,662,865	98,888	----------	−98,888
Total obligations	9,121,410	318,841	----------	−318,841
Unobligated balance lapsing	53,590	----------	----------	----------
New obligational authority	9,175,000	318,841	----------	−318,841

Summary of obligations by object class

		1961 actual	1962 estimate	1963 estimate	1963/1962 difference
22	Transportation of things	$460,060	----------	----------	----------
25	Other services	110,760	----------	----------	----------
	Services of other agencies	2,549,737	$298,359	----------	−$298,359
	Allocation to Veterans' Administration	252,582	20,482	----------	−20,482
26	Supplies and materials	1,100,592	----------	----------	----------
31	Equipment	4,647,679	----------	----------	----------
	Total obligations	9,121,410	318,841	----------	−318,841

Appropriation history

Fiscal year:	
1951	
1952	[1] $56,000,000
1953	20,000,000
1954	27,500,000
1955	26,000,000
1956	[2] 32,650,000
1957	47,000,000
1958	[3] 3,300,000
1959	20,000,000
1960	6,950,000
1961	9,175,000
1962	[4] 318,841
Subtotal	248,893,841
1963 (request)	([5])
Total	248,893,841

[1] Excludes $10,400,000 transferred from Federal contributions appropriation.
[2] Includes $402,000 transferred to "Salaries and expenses" appropriation to cover costs of pay raise.
[3] Includes $119,779 transferred to "Salaries and expenses" appropriation to cover costs of pay raise.
[4] Excludes $29,731,159 appropriated to OCDM but transferred to "Civil defense," Department of Defense and "Civil defense medical stockpile activities," Department of Health, Education, and Welfare.
[5] Estimates for activities previously carried under this title have been transferred in the estimates to "Operation and maintenance, civil defense," Department of Defense, and "Civil defense medical activities," Department of Health, Education, and Welfare.

Construction of facilities—Summary of obligations by activities

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
Obligations	$2,237,688	$392,343		−$392,343
Unobligated balance lapsing	−2,295,031	−57,343	−$2,165,000	−2,107,657
Unobligated balance carried forward	57,343	2,165,000	2,165,000	
New obligational authority		2,500,000		−2,500,000

Summary of obligations by object class

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
Allocation to General Services Administration:				
21 Travel and transportation of persons		$300		−$300
24 Printing and reproduction	$7,220	500		−500
25 Other services	55,073	20,713		−20,713
32 Land and structures	2,175,395	370,830		−370,830
Total obligations	2,237,688	392,343		−392,343

Appropriation history

Fiscal year:	
1960	$2,400,000
1962	2,500,000
Subtotal	4,900,000
1963 (request)	
Total	4,900,000

Disaster relief—Summary of obligations by activities

	1961 actual	1962 estimate	1963 estimate	1963/1962 difference
1. Administration	$92,352	$556,807	$638,757	+$81,950
2. Aid to disaster areas	12,951,499	18,560,000	15,361,243	−3,198,757
Total obligations	13,043,851	19,116,807	16,000,000	−3,116,807
Unobligated balance brought forward	−13,457,959	−8,116,807	−12,000,000	−3,883,193
Recovery of prior year obligations	−7,702,699	−2,000,000	−4,000,000	−2,000,000
Unobligated balance carried forward	8,116,807	12,000,000		−12,000,000
New obligational authority		21,000,000		−21,000,000

Summary of obligations by object class

		1961 actual	1962 estimate	1963 estimate	1963/1962 difference
11	Personnel compensation	$59,532	$132,000	$140,000	+$8,000
12	Personnel benefits	3,382	9,400	9,900	+500
21	Travel and transportation of persons	25,688	33,000	33,000	
22	Transportation of things	31	100	100	
23	Rent, communications, and utilities	3,654	5,000	5,000	
25	Other services	56	364,637	450,757	+86,120
	Allocation to Corps of Engineers—Civil	3,739	12,670		−12,670
26	Supplies and materials	9			
41	Grants, subsidies, and contributions	12,947,760	18,560,000	15,361,243	−3,198,757
	Total obligations	13,043,851	19,116,807	16,000,000	−3,116,807

Appropriation history

Fiscal year:	
1952	$55,800,000
1956	28,500,000
1957	6,000,000
1958	25,000,000
1962	21,000,000
Subtotal	136,300,000
1963 (request)	
Total	136,300,000

NOTE.—Amounts for each year include supplementals and deficiencies.

STATEMENT OF MR. EDWARD A. MCDERMOTT, DIRECTOR, OFFICE OF EMERGENCY PLANNING

Mr. Chairman and members of the committee, in addressing the United Nations last year, the President said, "* * * in a spiraling arms race, a nation's security may well be shrinking even as its arms increase." This was stated in the context of our intention to challenge the Soviet Union to a peace race, but its broader significance is both obvious and cogent.

In essence, notwithstanding that the Congress has wisely authorized our continuing development of awesome military strength, the President was noting that time and events are tending to erode the security of even the most powerfully armed nations. If peace and disarmament remain elusive, despite our best efforts, perhaps no combination of national security measures can ever again guarantee any nation's invulnerability.

Nevertheless, I believe strongly that the President's assessment of this truly fundamental issue yields only one practicable national choice: that is, we must continue to buttress our security by every possible means, even while we pursue lasting peace.

On the military side, this is hardly arguable at this point in time—but I believe that an essential companion effort is the continuation and strengthening of vital nonmilitary facets of our modern-day national security.

The case may be stated simply: whether or not probable, nuclear attack on the United States has become possible. The possibility may increase before it dimin-

ishes. If it should occur, military strength alone cannot temper the potential impact. It may be that every aspect of postattack capability to respond cannot be detailed in advance—but neither can we pursue a national policy of fatalism and hope to improvise effectively.

Therefore, we must go on vigorously with the development of a variety of preparedness operations unprecedented in our history. It is slow and difficult work, for it goes to the root of our capability to restore and maintain the basic fabric of our way of life if attack should come.

Postattack continuity of government, the postattack management of our surviving resources, and postattack maintenance of the solvency, functioning, and stability of our monetary and economic systems are not as dramatic as missiles, jet bombers, and nuclear weapons; but they represent aspects of our national security which have become wholly essential.

I believe we have the capacity in the United States to deal with preparedness in these and related nonmilitary fields, and I am encouraged greatly by the foundation already in place and developing. I should like to outline the status and direction of some of this work, for the country is not fuly aware of the extent to which it has been set in motion.

Therefore, I welcome this opportunity to discuss with you the first budget request of the Office of Emergency Planning and to ask for the restoration of certain funds disallowed by the House. (Your chairman has been kind enough to permit us to appear later in a brief executive session to discuss certain classified matters that bear on the question.) Since we appeared before you last year, the nonmilitary defense functions of the Federal Government have been importantly reorganized. One of the primary reasons for the reorganization was to place major operating responsibilities in operating agencies and to revitalize a staff agency within the Executive Office of the President to concentrate on those planning, preparedness, and coordinating functions which are so often neglected when combined with major operational tasks.

The Office of Emergency Planning is that staff agency. It is a new agency, but many of its responsibilities are not new. They stem from familiar laws—the National Security Act of 1947, the Defense Production Act of 1950, the Strategic and Critical Materials Stock Piling Act of 1946, the Trade Agreements Extension Act of 1958, the Buy American Act of 1933, the Communications Act of 1934, the Federal Disaster Act of 1950, and the Federal Civil Defense Act of 1950. These continuing functions and responsibilities are not new—but many of them have in recent years taken second place to the pressing demands of civil defense operations. A review of the status of our nonmilitary preparedness at the time of the Berlin crisis of 1961 revealed deficiencies which required correction. A reorganization resulted in the transfer of over 1,100 employees from the Office of Civil and Defense Mobilization to the operating departments and agencies of the Federal Government. It made it possible for the Office of Emergency Planning to direct its attention to the correction of these deficiencies through attention to the overall emergency planning and coordinating functions which are discussed in more detail below.

In any conflict, whether it be cold-war competition, limited or conventional war, nuclear war, or the struggle to recover from such a war, the most important single factor is the effective application of the Nation's available resources—human and material—to the goal of winning. This is the common thread that runs through our responsibilities and functions. We must know—in manageable detail—the resources that are available; we must estimate within reasonable ranges those that would be lost and those that would remain after a nuclear attack; we must examine the interrelationships—the interdependence of resources such as food, fuel, transportation, production, communications, etc.—so that the best possible estimates of supply and requirements can be made; we must plan to anticipate vital deficiencies and prevent them; and we must develop realistic plans and preparations for the continuity of decisionmaking capability—both in Government and in vital sectors of the private economy—so that the Nation's resources are applied as effectively as is humanly possible to meet both military requirements and the supporting essential civilian requirements.

This is of course a monumental task, and virtually every agency of government plays a part in it. At the risk of oversimplifying, the task of OEP may be said to be that of advising and assisting the President in the central planning, coordinating, and monitoring of progress in all fields of civil emergency preparedness, and in carrying on those activities which cut across agency lines and can only be effectively handled at a central point.

I indicated above that most of our responsibilities are not new. There are, however, some major new assignments which we will discuss in executive session. New assignments from the President in telecommunications, made since this budget was prepared, are the subject of a supplemental request now before the Congress.

Our continuing responsibilities, and the new and vital emphasis being placed on our efforts to discharge them effectively, would be seriously affected by the House action on our request.

AMENDMENTS TO HOUSE BILL

I have proposed in a formal communication to the chairman four specific amendments to the bill as passed by the House:

(1) *I ask that the original amount of $8 million be restored for "Salaries and expenses."*—The reduction of this amount to $4 million would eliminate a modest but vitally needed program of research and development and would seriously impair OEP's ability to discharge its responsibilities in essential security planning and preparedness areas and telecommunications.

(2) *I ask that language be restored permitting $1,500,000 of the "Salaries and expenses" appropriation to remain available until expended for studies and research.*—Like other agencies of government, we have learned that the prudent and economical use of research funds requires that there be flexibility in the timing of planned projects Preliminary findings in one project may argue the wisdom of deferring the initiation of another planned project to take advantage of unexpected results likely to be obtained from the first.

(3) *I ask that the sum of $3 million be restored for State and local studies and research under the heading "Postattack planning."*—As the Joint Committee on Defense Production recognized in its 11th annual report, there are many unanswered questions within the field of State and local responsibility for rehabilitation and resource management. This is understandable, since this responsibility has always been a Federal one, for which advances in weapons technology now require a substantial degree of State and local preparation as well. Since such State and local preparedness is a matter of vital national concern, we propose a program, to run for 3 years only, of financial assistance to aid State and local governmental and private efforts to assemble required data and develop necessary emergency plans. Without the State, local, and private participation which can be thus enlisted, the job will be time consuming and costly, if in fact it can be done at all. The expressed interest and concern of the Governors indicates that the States will cooperate fully.

(4) *I ask that the sum of $5 million for civil defense and defense mobilization functions of Federal agencies be increased to $6,876,000.*—The higher amount is the total originally requested in the separate agency submissions, exclusive of the health program needs. It reflects an austere assessment of the requirements of their ongoing programs at a time when increased demands are being made on them to undertake plan revisions, participate in supply-requirements analyses, provide technical advice and guidance to State and local officials, and quicken the tempo of their emergency preparedness. To cut support of this activity below the requested level would be to impair their ability to meet the responsibilities recently assigned to them by Executive orders and jeopardize their emergency operational ability.

Before I leave the question of support of the emergency preparedness functions of other Federal agencies, I should like to explain that the original submission in the individual agency requests was consistent with the President's direct Executive order assignments to them. If we are to build into the departments and agencies adequate strength to function under all emergency conditions, emergency preparations must become a part of their normal operation. It is of course too late to propose any change in the procedure at this time, but I hope that there may be acceptance of the concept in next year's appropriation.

I should like now to discuss briefly some of our assigned tasks and the progress that has been made.

Continuity of government

The continuity of government program is designed to reduce the vulnerability of government—Federal, State, and local—to attack; provide the necessary facilities, processes, and systems for coping with any emergency; and assure that our representative form of government may be reconstituted in the event of its disruption.

The essential features of the program are the same at all levels of government:

(1) The provision of automatic lines of succession for key officials.

(2) The preservation and management of essential records.

(3) The provision of emergency operating centers in less vulnerable locations than the Nation's Capital.

(4) Planning for the effective utilization of government personnel and facilities in an emergency.

Federal preparations are well advanced, but significant modifications in emergency operating plans must be made to take realistically into account technological advances in weapons and delivery systems. Major emphasis is being placed on the maintenance of an emergency operating capability on the part of the key Federal agencies, and we are moving in new directions as a result of a recent classified study. I shall discuss this more fully in executive session.

Emergency resource management

During World War II and the Korean conflict, we met the needs of our wartime economy with a broad system of controls over basic materials, wages, and prices, and through a constant surveillance of manufacturing facilities and the recruitment and training of personnel to service a greatly expanded production base. This system depended greatly on supervision from a central source—the Nation's Capital. We cannot now be certain how long it would take to establish minimum central control that would be required after a nuclear attack. A substantial percentage of our productive capacity might be destroyed or disrupted and the Federal Government might be temporarily unable to regulate or administer on a nationwide basis. In such a situation, we would need to rely temporarily on the Federal field establishment, operating in accordance with previously developed plans, to give leadership to an unprecedented State and local effort in emergency resource management.

To develop a state of readiness on the part of the Federal Government to meet such a situation the President in February signed nine Executive orders delegating important emergency preparedness functions to the Secretaries of the Interior, Agriculture, Commerce, Labor; Health, Education, and Welfare, to the Postmaster General, to the Administrator of the Federal Aviation Agency, to the Housing and Home Finance Administrator, and to the Interstate Commerce Commission. In these Executive orders, the agencies are directed "to develop a state of readiness with respect to all conditions of national emergency, including attack upon the United States."

In turn, the President has charged me with the responsibility to advise and assist him in determining policy for these functions as they affect the total national preparedness effort, and on his behalf monitor and coordinate the whole program.

Economic stabilization

The resource strength of the country could be seriously weakened if there were not adequate plans and preparations for stabilization of the Nation's monetary and economic systems in a period when demand greatly exceeded supply. The OEP is charged with giving leadership to governmental and nongovernmental preparations to maintain a stable economy in wartime emergencies. This program involves several agencies of government, and several stabilization measures.

The Department of the Treasury, the Federal Reserve Board, the Federal Home Loan Bank Board, the Council of Economic Advisers, and other financial agencies, under delegation from the Department of the Treasury, are continuing to develop their policies and emergency measures for the restoration, continued functioning, and stabilization of the monetary and economic systems in the undamaged or relatively undamaged areas during the postattack period. Special attention is being devoted to developing methods and procedures for carrying out postattack emergency financial policies already agreed upon.

The Housing and Home Finance Agency is assisting OEP with the development of plans for emergency rent stabilization. It has started work on a training guide for use by State and local organizations in developing their capability to handle emergency postattack rent stabilization measures. The training guide is expected to be released during this fiscal year.

The Department of Labor is developing readiness for handling emergency postattack wage and salary stabilization measures through its Wage and Hour Division field offices. Having agreed upon emergency wage and salary stabilization plans and policies, the Department of Labor is preparing its field offices to administer such plans in the event of an emergency.

Comprehensive program for State and local governments

Since 1958 there have been dramatic changes in weapons technology and delivery systems. Plans which were being translated into installations and hardware have had to be drastically altered. This is no less true in nonmilitary defense than it is in military defense, where we accept as commonplace the rapid obsolescence of plans and equipment.

It is perfectly true, as the House report states, that the Federal Government has been planning emergency preparedness for 10 years, but such plans cannot remain static in the face of a changing threat. One of the areas of most significant change in nonmilitary defense is that of emergency resource management, including economic stabilization. This has always been a Federal function, but a realistic recognition of the speed and power of missile-delivered nuclear weapons indicates that the central Federal capability to perform it may be destroyed or damaged for a long period.

For the first time in our history, we must seriously plan for the contingency that the States and localities may represent for some time the Nation's only capability for emergency resource management, and for economic stabilization if the functioning capability of the Federal Government is destroyed or damaged of if sections of the country are effectively cut off by nuclear attack damage to communications and transportation. For this reason, we have formulated a comprehensive program for survival of government and management of resources to assist the States and localities.

In recognition of the fact that many of these responsibilities are new to them, we have developed guidance materials for their use, and have worked cooperatively with State and local officials and with bankers, industrialists, labor leaders, farm leaders, and other community leaders in initiating the program.

As a starter, we sent a letter to each of the Governors outlining the problems and the specific actions suggested by OEP. Every Governor was asked to appoint an emergency planning director and to establish an emergency resource planning committee drawn from government and civil leadership. They will advise the Governor on the resource readiness of the State, identify deficient areas, and take the steps to correct these weaknesses. Many of these task forces are already at work, with the active cooperation of the eight OEP regional offices. The response of the Governors has been most encouraging. Forty-five of them have already designated "emergency planning directors." All have pledged their cooperation.

We have also conducted a series of eight regional conferences, the last of which was held in Seattle in May. Over 3,000 government, business, agriculture, and labor leaders participated, drawn from all the States. These conferences had a twofold purpose: First, we provided representatives from the States with comprehensive briefings on the Federal Government's program of emergency planning. Second, and equally important, we heard from State and local representatives on the status of their programs, their studies of specific areas, the deficiencies they have uncovered, and the measures they propose to correct these conditions.

To further our efforts and, more importantly, to establish a strong working relationship on the State and local level, the Office of Emergency Planning invited the 45 emergency planning directors already appointed by Governors to attend a conference in Washington on June 21, as a followup of the regional conferences. During the coming months our regional staffs will be working with the State emergency planning directors in developing State and local plans and programs. The States are enthusiastic and local governments are committed to this program.

It was my privilege to make a progress report on emergency planning to the Governors' conference at its recent national meeting at Hershey, Pa. The conference unanimously endorsed the program and by resolution authorized its committee on civil defense and postattack recovery to work with OEP in a "program of studies, research, and general education in the area of postattack recovery and rehabilitation measures and procedures."

We are also working with the Committee on Suggested State legislation of the Council of State Governments, and with the Civil Defense and Postattack Recovery Committee of the Governors' Conference on State Emergency Planning legislation, with a view of preparing additional model State laws on resource management and economic stabilization which will be recommended to State legislatures for enactment. Model legislation will give the Governors and State governments the authority to act in a nuclear emergency and thus avoid the confusion that resulted after Pearl Harbor when immediate rationing, allocations, and other controls were necessary, but delayed in achievement.

The National Association of County Officials, the American Municipal Association, and the U.S. Conference of Mayors are also cooperating fully with us in this program.

In preparing for the survival of government, most States require amendments to their constitutions before all of the necessary authority is available to their legislatures. To facilitate the adoption of State constitutional amendments, the Council of State Governments and the Office of Emergency Planning developed a sample amendment to equip the legislatures with the authority and responsibility to enact any necessary legislation. As of today, 34 State legislatures have approved amendments dealing with continuity of government. In 22 of these States, the voters have ratified the amendment by outstanding majorities ranging up to 14 to 1. In no State have the voters rejected the proposed amendment. Additionally, as a result of this program, some 200 specific State laws in support of continuity of government objectives have been enacted by State legislatures.

As for municipalities, we have developed a suggested continuity of government ordinance in cooperation with municipal and county organizations. This suggested ordinance has been published by the National Institute of Municipal Law Officers as a part of its model ordinance service and is available to assist county and municipal officials in establishing lines of succession to their key offices.

Assuring the continuity of civil authority is an enormous and important task Its success will depend on adequate staff, both in national headquarters and in the field. The tools are available, but stimulation and motivation are required to put them to use.

Stockpile program

The OEP has a continuing responsibility to recommend policy with respect to the stockpiling of materials likely to be in short supply in the event of war mobilization. As technology changes, so do requirements for quantities and nature of materials to be stockpiled. The orderly disposal of materials determined to be no longer needed to meet national security needs must be so handled as to avoid adverse effects on world markets and on the domestic economy. Decisions with respect to disposals must therefore be made with great care and after careful study of the possible consequences. Continuing long-range studies of technological changes are required to anticipate requirements for new materials, the obsolescence of old ones, and developments in substitutability of materials.

Effect of imports on the national security

Under the Trade Agreements Extension Act of 1958, the OEP is charged with responsibility for investigating, either on its own motion or upon petition by affected domestic interests, the nature and volume of imports which might have an adverse effect upon the national security. Such adverse effect might take the form of eliminating the domestic production base of a product or products vitally needed in wartime when oversea sources might be denied to us. Each such case must be carefully and thoroughly investigated, and a recommendation forwarded to the President.

Special studies

With increasing frequency the President calls upon the OEP to conduct special studies and analyses having a particular bearing on the national security. For example, in December the President ordered the initiation under my direction of a comprehensive study of petroleum supplies and requirements in relation to national security objectives. This study, requiring substantial staff support, is now underway. Others, either recently completed or now underway, include a major stockpile study, a study of medical manpower needs and problems, a long-range study of availability of basic and critical materials, and the study of some of our basic national security problems which I shall discuss in executive session.

National defense executive reserve

In 1955, an amendment to the Defense Production Act authorized the President to establish and train executive reservists for employment in the Government in times of emergency. We believe that effective use of executive civilian talent is a keystone for the successful mobilization of our resources when the Nation is confronted by crisis. In 1956, the President issued Executive Order 10660 establishing the national defense executive reserve, and today more than 2,600 reservists are assigned to participating agencies. OEP coordinates the executive reserve program in behalf of the President.

Natural disaster relief

During the recent Governors' conference at Hershey, I outlined the steps we have taken to improve our administration and coordination of Federal disaster relief operations. Following Hurricane Carla, and as a result of a study initiated by the President, changes were made in procedure and administration of Federal disaster relief operations so that—

(1) The President can receive more quickly facts needed to make an immediate decision regarding a declaration of a major disaster and allocation of funds;

(2) Disaster allocations will be more realistic and initial allocations will be made pending completion of more detailed surveys of need; and

(3) Applicants can be paid more quickly.

Telecommunications

In February 1962, the President signed Executive Order 10995 establishing the position of Director of Telecommunications Management to be held by an Assistant Director of OEP. Areas of responsibility of this official include the broad fields of (1) assignment of radio frequencies to Government stations; (2) advising and assisting the Department of State in international telecommunication negotiations; (3) coordination of telecommunications activities of the executive branch and formulation, after consultation with appropriate agencies, of overall policies and standards therefor; and (4) mobilization planning in telecommunication. As the Executive order was issued subsequent to the preparation of the budget estimates now before the committee, the additional personnel required for the new responsibilities are not covered in the request before you, but are included in a supplemental request submitted recently.

In the area of radio frequency management, more than 31,000 frequency actions were processed in fiscal year 1962. This number compares with some 26,000 actions in fiscal year 1961 and 36,000 actions estimated for fiscal year 1963. Plans are being made to apply electronic computer techniques to frequency selection, assignment, and recordkeeping activities to help meet the frequency needs of Federal agencies in a more timely and efficient manner. Radio spectrum allocation planning in fiscal year 1962 involved the implementation of international agreements reached in 1959, and preparations for international conferences on space telecommunication scheduled for 1963. Preliminary views on space allocations were developed and discussed with experts of other nations. Intensive effort in this area will be continued in fiscal year 1963. This effort is expected to require a minimum of 40 meetings within the United States of all available experts, as well as participation in a series of international preparatory meetings. The results of this activity will have a decided impact on space telecommunication operations in the near-term future, both for the United States and for other nations. The tempo of international negotiations such as these is expected to remain at a high level, and additional qualified people are needed.

The head of each major Federal department and agency has designated an official to work with the Director of Telecommunications Management in policy matters and related fields of mutual interest. Some 15 Federal agencies were asked to furnish information about their communication systems, plans for future developments, and a statement of policies and standards which govern the operation of their networks. This material will be assembled and reviewed as received. Plans and procedures will be developed as necessary to future coordination of communication activities of the executive branch. Mobilization planning for telecommunication continued in fiscal year 1962 on the basis of Executive Order 10705. Existing plans for the use of radio frequencies, domestic common carrier service, and common carrier channels to oversea points in emergency were kept current. Organization and staffing plans for a unit to be responsible for exercising in an emergency the President's wartime powers over telecommunication were kept under review. It is expected that an executive order assigning emergency preparedness responsibilities will be issued to the FCC during the present calendar year. Planning for the mobilization of Government telecommunication resources will be continued by the OEP. The combined efforts of these two agencies should lead to materially improved readiness in this field.

Research and resource analysis

To serve the several complex program goals outlined above requires the best research and analysis that OEP can bring to bear on the many problems involved. It depends, for the most part, on research and development sponsored by other agencies of the Federal Government. The small Research Office in OEP monitors

research that has an actual or potential bearing on OEP work and stimulates research likely to be useful to us by other agencies, both governmental and private. Research results are interpreted and presented in terms which are meaningful to those in OEP who are solving basic national security and nonmilitary defense problems and developing policies and programs for the maximum national preparedness.

There are, however, problems which require research and study not done in any other agency. These are problems which are vital to the national preparedness, and the failure to study and resolve them could mean the difference between the Nation's postattack recovery and its elimination as a first-rate economic power. Compared with the magnitude and complexity of the problems to be solved, our request is indeed a modest one. Where it is impossible or uneconomical for OEP to recruit the specialized staff to conduct such studies, we hope to continue to contract with universities or other research institutions to perform the work.

An important part of OEP's research effort is devoted to strengthening a national resource evaluation program. The National Resource Evaluation Center (NREC) is in a protected facility outside Washington. NREC, using electronic computer techniques, makes estimates of casualties and resource damage and estimates of the condition of surviving resources under a broad spectrum of attack and other assumptions. NREC also makes estimates of requirements versus supplies; and it is now developing a capability to rapidly formulate production goals and programs that are consistent with stated priorities and at the same time are within the limits of available resources and manpower. It provides estimates of the effects of hypothetical attacks on the United States for use by the National Security Council, the Department of Defense, and by other departments and agencies as well as by OEP. To be of maximum service to other Federal agencies and to OEP, advanced computer and mathematical techniques have to be developed to handle the unending number of variables.

In conclusion, I reemphasize that we deal with problems to which the methods of solution are not known. Indeed, in some cases the dimensions of the problems are not clear or precise. As the President stated last September, the responsibilities of the Office of Emergency Planning cover "investigation, advice, coordination, and policy formulation in connection with our preparedness effort. These functions of OEP may be of critical importance to our very survival. The national security requires that there be soundly conceived and well-tested plans for every emergency."

I ask that you consider these words of the President very carefully. The work of our agency, including its participation on the National Security Council, contributes importantly to our national effort in the continuing cold war struggle. In the event of increased mobilization, or sudden requirements of a possible limited military engagement, the preparations which make up OEP's assignment are indispensable. In the event of a nuclear attack, the adequacy of our preparation for recovery could make the difference between survival as a nation with a continuing influence on the world scene, or our decline to the position of a third- or fourth-rate power.

It is critically important that our planning and preparation be completed in advance of any contingency. It will be too late when the emergency is upon us.

Our agency responsibilities are sobering and challenging. We prepared this budget after the transfer of operating responsibilities last year, and made it an austere and modest one which will find our staff pushed to meet its responsibilities. I am a firm believer in the morale-building effect of having just a little bit more work to do than one can accomplish. Our recent reorganization has given us a taut, streamlined agency, and I can assure you of my determination to keep it that way.

Under the new emphases and dimensions of national preparedness, all of the programs, including resources planning and mobilization, economic stabilization, continuity of government, stockpiling, comprehensive program, natural disaster, telecommunications management, executive reserve, special studies and assignments from the President, and assistance to the President in coordinating the total emergency preparedness effort, require a minimum of 450 people and $11 million to support. The cost of our program is modest, indeed, as compared with other national security expenses, and I therefore recommend full restoration of the funds eliminated by the House and approval of the budget request as submitted.

STATEMENT OF EDWARD A. MCDERMOTT

Senator MAGNUSON. All right.

Mr. MCDERMOTT. I appear before you, Mr. Chairman, in support of the appropriation request for OEP for funds in the total sum of $11 million for fiscal 1963.

This includes $8 million for a continuation of on-going programs and efforts, and $3 million for the development of State and local capabilities in resource management and economic stabilization and emergency planning.

The House bill denied this latter request of $3 million and reduced the former request to $4 million.

ROLE AND MISSION OF OEP

I wish to discuss, then, the role and mission of OEP and the need for funds requested, and to respectfully ask for the full restoration of the House reduction.

Many significant changes have taken place in the field of emergency planning for recovery and rehabilitation since the predecessor agency of OEP—that is, OCDM—appeared before this subcommittee last year.

Senator MAGNUSON. Now, could you put there in the record the amount which the Defense Department asked for in this field, so that we can get this into the proper perspective?

Mr. MCDERMOTT. We will be happy to submit it, but you will be hearing later today from the Office of Civil Defense on their appropriation.

Senator MAGNUSON. OK.

CIVIL DEFENSE TRANSFERRED TO DOD

Mr. MCDERMOTT. These changes were initiated by Executive Order 10952, which was issued by the President last summer, and which transferred the operating civil defense responsibilities to the Department of Defense. I submit for the record, a copy of Executive Order 10952.

Senator MAGNUSON. That will be put in the record.

(The Executive Order 10952 referred to follows:)

THE WHITE HOUSE

EXECUTIVE ORDER 10952

ASSIGNING CIVIL DEFENSE RESPONSIBILITIES TO THE SECRETARY OF DEFENSE AND OTHERS

Whereas the possibility of enemy attack upon the United States must be taken into account in developing our continental defense program; and

Whereas following a thorough review and consideration of our military and nonmilitary defense activities, I have concluded that adequate protection of the civilian population requires a substantial strengthening of the Nation's civil defense capability; and

Whereas the rapid acceleration of civil defense activities can be accomplished most effectively and efficiently through performance by the regular departments and agencies of government of those civil defense functions related to their established roles and capabilities; and

Whereas I have concluded that the undertaking of greatly accelerated civil defense activities, including the initiation of a substantial shelter program, requires new organizational arrangements:

Now, Therefore, by virtue of the authority vested in me as President of the United States and Commander in Chief of the Armed Forces of the United States, including the authority contained in the Federal Civil Defense Act of 1950, as amended, and other authorities of law vested in me pursuant to Reorganization Plan No. 1 of 1958, it is hereby ordered as follows:

Section 1. *Delegation of Authority to the Secretary of Defense.* (a) Except as hereinafter otherwise provided and as is reserved to the Office of Civil and Defense Mobilization in section 2 of this order, the Secretary of Defense is delegated all functions (including as used in this order, powers, duties, and authority) contained in the Federal Civil Defense Act of 1950, as amended (hereinafter referred to as the Act), vested in me pursuant to Reorganization Plan No. 1 of 1958 (72 Stat. 1799), subject to the direction and control of the President. Such functions to be performed by the Secretary of Defense, working as necessary or appropriate through other agencies by contractual or other agreements, as well as with State and local leaders, shall include but not be limited to the development and execution of:

(i) a fallout shelter program;

(ii) a chemical, biological, and radiological warfare defense program;

(iii) all steps necessary to warn or alert Federal military and civilian authorities, State officials, and the civilian population;

(iv) all functions pertaining to communications, including a warning network, reporting on monitoring, instructions to shelters and communications between authorities;

(v) emergency assistance to State and local governments in a postattack period, including water, debris, fire, health, traffic, police, and evacuation capabilities;

(vi) protection and emergency operational capability of State and local government agencies in keeping with plans for the continuity of government; and

(vii) programs for making financial contributions to the States (including personnel and administrative expenses) for civil defense purposes.

(b) In addition to the foregoing, the Secretary shall:

(i) develop plans and operate systems to undertake a nationwide postattack assessment of the nature and extent of the damage resulting from enemy attack and the surviving resources, including systems to monitor and report specific hazards resulting from the detonation or use of special weapons; and

(ii) make necessary arrangements for the donation of Federal surplus property in accordance with section 203(j)(4) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 484(j)(4)), subject to applicable limitations.

Section 2. *Civil Defense Responsibilities of the Office of Civil and Defense Mobilization.* The Director of the Office of Civil and Defense Mobilization shall

(a) advise and assist the President in:

(i) determining policy for, planning, directing, and coordinating, including the obtaining of information from all departments and agencies, the total civil defense program;

(ii) reviewing and coordinating the civil defense activities of the Federal departments and agencies with each other and with the activities of the States and neighboring countries in accordance with section 201(b) of the Act;

(iii) determining the appropriate civil defense roles of Federal departments and agencies, and enlisting State, local and private participation, mobilizing national support, evaluating progress of programs, and preparing reports to the Congress relating to civil defense matters;

(iv) helping and encouraging the States to negotiate and enter into interstate civil defense compacts and enact reciprocal civil defense legislation in accordance with section 201(g) of the Act; and

(v) providing all practical assistance to States in arranging, through the Department of State, mutual civil defense aid between the States and neighboring countries in accordance with section 203 of the Act;

b) develop plans, conduct programs, and coordiante preparations for the continuity of Federal governmental operations in the event of attack; and

(c) develop plans, conduct programs, and coordinate preparations for the continuity of State and local governments in the event of attack, which plans, programs, and preparations shall be designed to assure the continued effective functioning of civilian political authority under any emergency condition.

Section 3. *Excluded Functions.* The following functions of the President under the provisions of the Act are excluded from delegations to the Secretary of Defense made by this order and are reserved to the President:

(a) Those under subsections (h) and (i) of section 201 of the Act (50 U.S.C. App. 2281(h), (i)) to the extent that they pertain to medical stockpiles and food stockpiles.

(b) Those under the following provision of the Act: Sections 102(a), 201(b), and 402 and Title III.

Section 4. *Transfer of Property, Facilities, Personnel, and Funds.* Subject to applicable law, there shall be hereby transferred to the Secretary of Defense such portion of the property, facilities, and personnel of the Office of Civil and Defense Mobilization engaged in the performance of the civil defense responsibilities herein assigned to the Secretary of Defense as shall be agreed upon by the Secretary and the Director of the Office of Civil and Defense Mobilization together with such portions of the funds currently available for those purposes as shall be approved by the Director of the Bureau of the Budget.

Section 5. *Reports.* The Secretary of Defense shall annually submit to the President a written report covering expenditures, contributions, activities, and accomplishments of the Secretary of Defense pursuant to this order.

Section 6. *Redelegation.* The Secretary of Defense is hereby authorized to redelegate within the Department of Defense the functions hereinabove delegated to him.

Section 7. *Amendment.* The Director of the Office of Civil and Defense Mobilization is hereby relieved of responsibilities under the Act except as otherwise provided herein, and the provisions of Executive Order No. 10773, as amended, are amended accordingly.

Section 8. *Prior actions.* (a) Except to the extent that they may be inconsistent with the provisions of this order, and except as particular Executive orders or other orders are amended, modified, or superseded by the provisions of this order, all determinations, authorizations, regulations, rulings, certificates, orders (including emergency preparedness orders), directives, contracts, agreements, and other actions made, issued, or entered into with respect to any function affected by this order, and not revoked, superseded, or otherwise made inapplicable before the date of this order, shall continue in full force and effect until amended, modified, or terminated by the President or other appropriate authority; but, to the extent necessary to conform to the provisions of this order, any of the foregoing shall be deemed to refer to the Secretary of Defense or other appropriate officer or agency instead of, or in addition to, the Office of Civil and Defense Mobilization or the Director thereof.

(b) This order shall not terminate any delegation or assignment of any substantive (program) function to any delegate agency made by any emergency preparedness order heretofore issued by the Director of the Office of Civil and Defense Mobilization (26 F.R. 651–662; 835–840) (which emergency preparedness order shall remain in effect until amended or revoked by or at the specific direction of the President). No such emergency preparedness order shall limit the delegation or assignment of any substantive (program) function to the Secretary of Defense made by the foregoing sections of this order.

Section 9. *Effective Date.* This order shall become effective on the first day of August, 1961.

JOHN F. KENNEDY.

THE WHITE HOUSE, *July 20, 1961.*

POSTATTACK PREPAREDNESS

Mr. MCDERMOTT. With this transfer a new sense of urgency was given to the neglected area of postattack preparedness.

It is a simple fact that in our prior planning while OCDM, the predecessor agency of OEP, had both the civil defense and postattack responsibilities, there was a civil defense orientation, and there was, I believe, an inattention to this area of postattack preparedness.

Actions that have been taken since last summer, when the President issued this Executive order, have been not only fully considered in the executive department of the Government but also have the full support of the President himself.

I realize that these efforts to improve the nonmilitary preparedness capability of the Nation are neither dramatic nor glamorous. The mission is frequently misunderstood, and it is nicer for people not to think about the economic consequences of a nuclear attack on the country.

However, progress has been made. That progress is encouraging, and I think that the job before us can be done.

The committee should understand that the Office of Emergency Planning is an agency within the Executive Office of the President, and it is a new agency with many of its responsibilities inherited from its predecessor.

RESPONSIBILITIES OF OEP

Senator MAGNUSON. Now, put in the record here or you can make the statement here now:

Define just as clear as you can what are your responsibilities now.

Mr. MCDERMOTT. All right. The responsibilities that the Office of Emergency Planning has flow from many sources, including the National Security Act of 1947, the Defense Production Act of 1950, the Strategic and Critical Materials Stockpiling Act of 1946, the Trade Agreements Extension Act of 1958, the Buy American Act of 1933, the Communications Act of 1934, the Federal Disaster Act of 1950, and the Federal Civil Defense Act of 1950.

OEP is a planning and coordinating agency with a small national office staff and a regional office establishment to service the States and local communities.

As Director, I am adviser to the President in the board area of nonmilitary defense, and I am honored to be a member of the National Security Council.

Senator MAGNUSON. Now, your job is to determine policy that stems from these particular laws that you have mentioned?

Mr. MCDERMOTT. Correct.

Senator MAGNUSON. And also you do not handle any of the active functions——

Mr. MCDERMOTT. No.

Senator MAGNUSON (continuing). Of the Office of Civil Defense Mobilization?

Mr. MCDERMOTT. No. We are not an operating agency. We develop and recommend policy to the President and monitor its implementation.

We recommend the actions that should be taken by other departments and agencies.

Senator MAGNUSON. All right. Let's take these one by one, so that the Senate can know what we are doing.

Mr. MCDERMOTT. Fine.

NATIONAL SECURITY ACT FUNCTIONS

Senator MAGNUSON. What would be your direct functions under the National Security Act? I mean, that phase of it?

Mr. MCDERMOTT. Under the National Security Act? The responsibilities that we have under that act relate primarily to plans for the management of the resources of this country in any kind of an emergency that may arise and determining the priorities among the various claimants.

I believe you will see in the statement there, sir, that we have treated these responsibilities——

Senator MAGNUSON. Oh, you have them all in your statement?

Mr. McDERMOTT. Yes, they are all in the statement, and we have grouped them by programs, which I think will be more meaningful to you. I will cover them very briefly.

Senator MAGNUSON. All right.

Mr. McDERMOTT. In the field of resources, in any conflict, whether it is cold war or limited war or conventional or nuclear war, and in our struggle to recover, the most important single factor is the effective application of the Nation's available resources, both human and material, to the goal of winning.

In this area then, the role of OEP is to advise and assist the President in the central planning, coordinating, and monitoring of activities of all the departments of Government concerned with these problems.

Our studies show, as I indicated earlier, that this function has not received the attention it requires, and that the plans that now are, or until very recently were, in being did not accommodate to the realities of the world in which we live today.

We find that as a——

Senator MAGNUSON. Well now, suppose that you sat down and recommended a policy in relation to natural resources which involves the Department of the Interior?

Mr. McDERMOTT. All right.

DELEGATION OF FUNCTIONS

Senator MAGNUSON. Let's say here, oh, energy resources such as coal or oil. Then if that policy is accepted or that recommendation is accepted by the President then you transmit it, or, he does, or both of you, to the Department of the Interior to perform certain functions——

Mr. McDERMOTT. Right.

Senator MAGNUSON (continuing). In this field?

Mr. McDERMOTT. That is right.

Senator MAGNUSON. Then they must come before us in the Interior appropriations——

Mr. McDERMOTT. That is right.

Senator MAGNUSON (continuing). And ask for x number of dollars to perform a function which has been directed to them by your organization, with the consent of the President?

Mr. McDERMOTT. Correct, except that there is this change, sir, that in order to give these responsibilities the significance and the importance they should have, we are now following the policy, and the President adopted this last spring, that instead of OEP issuing directives to these other departments and agencies, the President, himself, has issued Executive orders——

FINANCING OF MOBILIZATION FUNCTIONS OF OTHER FEDERAL AGENCIES

Senator MAGNUSON. Executive orders?

Mr. McDERMOTT. And last February there were nine Executive orders issued by the President, assigning emergency responsibilities to Interior, Agriculture, Commerce, Labor, HEW, the Post Office, the Federal Aviation Agency——

Senator MAGNUSON. Agriculture is——

Mr. McDERMOTT (continuing). Housing and Home Finance, and Interstate Commerce Commission.

There are other Executive orders now in preparation.

Senator MAGNUSON. Yes. The reason I asked that is because heretofore these agencies would do the job?

Mr. MCDERMOTT. Right.

Senator MAGNUSON. And this other agency would come to the Appropriations Committees and request appropriations, and, in turn, pay the other agency for what they did, and we had a lot of trouble with that in this committee.

Mr. MCDERMOTT. That is right.

Senator MAGNUSON. So this is now changed?

HOUSE REVERSAL OF POLICY

Mr. MCDERMOTT. Well, it was changed, sir, except that the action of the House has put it back on its original basis.

The decision was made this year, with the issuance of these Executive orders that the departments and agencies that have these Executive order assignments should make their appropriation requests as part of their regular budget submission, and this was done this year.

In the House, however, those appropriations requests, totaling $6,876,000, have been grouped into that $5 million item, and the House action appropriates the $5 million to the Office of Emergency Planning for distribution by OEP.

That $5 million was not in our appropriation request.

Senator MAGNUSON. Well, then we are back where we started?

Mr. MCDERMOTT. You are back where you started from in terms of the House action.

RECOMMENDATION CONCERNING HOUSE ACTION

Senator MAGNUSON. Now, what do you recommend in regard to the House action?

Mr. MCDERMOTT. We recommend, sir, that in the future the departments and agencies that have these responsibilities, under direct Executive orders from the President, make their own appropriation requests and support them, before this or the appropriate committee, and that the funds be appropriated directly to the Department.

POLICY DETERMINATION

Our job is to determine the policy and coordinate the actions of a particular department, under these Executive orders, with the actions of our other departments and agencies of Government.

We would prefer not to be in the situation of having to allocate these funds.

EXAMPLE OF PROCEDURE

Senator MAGNUSON. Well now, there is an Executive order here, and, again, let us use Interior as an example.

Do you then look at what they do or what they expect to do on this job or what they recommend?

Mr. MCDERMOTT. Correct. Under this new procedure, sir, if it were followed——

Senator MAGNUSON. Yes?

Mr. McDERMOTT. That is the suggested procedure, we would participate in the budget preparation or would review the budget.

Senator MAGNUSON. So that if it was out of line for the job you gave them to do, you would have the chance to say so?

Mr. McDERMOTT. That is right, and that action would be taken in connection with the preparation of the budget each year and contemporaneously with or immediately prior to its submission to the Bureau of the Budget.

Senator MAGNUSON. In other words, you ride a little herd on them and follow through?

"INSPECTOR GENERAL" RESPONSIBILITY

Mr. McDERMOTT. Correct. Our role might be described as that of an inspector general. We have an IG responsibility.

Now, we have not been able to exercise that as yet, as I explained to you, because there is this confusion now as to how it is going to be handled in the——

HOUSE REPORT

Senator MAGNUSON. And the House says, on the $5 million, and I quote from the House report:

The committee recommends that the delegations—

that is the jobs you delegate—

other than those Department of Defense and HEW, to maintain a medical stockpile, be financed from one account—

which sums, as necessary, will be allocated by you.

Mr. McDERMOTT. That is correct. And that goes back to the old procedure to which you alluded earlier.

Senator MAGNUSON. Back to the old procedure which we had trouble with.

Senator ALLOTT. That is to get away from the business of having to consider a separate budget in about 15 or 16 different places.

DEFENSE PRODUCTION ACT RESPONSIBILITIES

Senator MAGNUSON. All right. Now, under the Defense Production Act, I know this is in here but you can summarize this.

What are your responsibilities there?

Mr. McDERMOTT. Well, the responsibilities under the Defense Production Act relate, of course, primarily to defense priorities and problems pertaining to the stockpile and to maintenance of the mobilization base.

We have various stockpile responsibilities under both the Defense Production Act and under the Strategic and Critical Materials Stock Piling Act.

As you know, OEP determines the policy for these strategic and critical materials stockpiles——

FUNCTIONS OF GSA

Senator MAGNUSON. And GSA does the buying?

Mr. McDERMOTT. They do the housekeeping and the buying, the selling, and the storing.

There is considerable activity, which the members of this committee are aware of, in stockpiling today.

Specifically, what is being done, for your information, is that the President has appointed an Executive Stockpile Committee of Cabinet-level people, within the Government, of which I am Chairman as Director of OEP. We are reviewing all aspects of the stockpile program to determine policy for it, to determine what our policy is going to be toward acquisitions and disposals and so on.

The stockpiling program is a very important element of the Office of Emergency Planning activities.

Senator MAGNUSON. So that we are to understand that if GSA comes to us and asks for X number of dollars to buy, or authority to sell, that this would stem from a decision made by you and this particular committee?

Mr. MCDERMOTT. That is right, with full interdepartmental consultation, of course.

Senator MAGNUSON. They are merely your agents in this matter?

Mr. MCDERMOTT. That is right. They are our agents in this matter.

Senator MAGNUSON. I think we ought to get this straight, because GSA does carry out the policy of a decision that is made at a higher level.

Mr. MCDERMOTT. That is right. Now, the Administrator of GSA——

Senator MAGNUSON. As to how they carry it out, that is another story.

UPGRADING OF STOCKPILE BY PAYMENTS IN KIND

Mr. MCDERMOTT. Correct. I would like to make a point here, if I could, sir, on that.

I understand that the House, in acting on the GSA appropriation, eliminated from their appropriation for fiscal year 1963, the authority to upgrade stockpile materials by payment in kind.

We feel that the use of payment in kind is a desirable mechanism for the upgrading and improvement of our stockpile, and I believe that when they appear before you GSA is going to ask for a restoration of that authority.

And we would like to go on record as fully supporting that request for restoration.

I think it is an important thing to have in our administrative package.

Senator MAGNUSON. The Senator from Colorado and I have gone through that for a long time, too, now.

If we are going to keep some of the stockpiles we ought to keep them in the best possible condition so they will have some value.

Mr. MCDERMOTT. Correct.

Senator MAGNUSON. Now the Trade Agreements Extension Act, under that what is your——

NATIONAL DEFENSE EXECUTIVE RESERVE

Mr. MCDERMOTT. There is one other point, sir, under DPA that I should tell you about because it is of current interest.

We have also the responsibility for the development and management of the National Defense Executive Reserve.

Senator MAGNUSON. What do you mean? Do you mean you store away executives?

Mr. MCDERMOTT. No; we do not store them. We try to identify them, but there was an amendment to the Defense Production Act in 1955 which directed the President to develop this Executive Reserve for service to Government in an emergency.

Under an Executive order, issued in 1956, those responsibilities rest with the Office of Emergency Planning. Now, today, we direct and coordinate, on behalf of the President, this Executive Reserve program.

There are 15 departments and agencies of Government that participate in it. There are approximately 2,700 reservists in the program now. This is an important program.

It is very important that we have, and train, these people in advance so that their services are available to us if an emergency should occur. These people come primarily from the business sector.

They volunteer their time and they are making a very important contribution.

Now, on October 22 of this year——

Senator MAGNUSON. And in some cases they are specialists?

Mr. MCDERMOTT. In many cases they are specialists.

On October 22 of this year we are having a national conference of the executive reservists on which the President just issued a memorandum to me a few days ago, which I submit for the record together with details on the program.

Senator MAGNUSON. All right, we will put that in the record.

(The material referred to follows:)

THE WHITE HOUSE,
Washington, July 27, 1962.

Memorandum for Hon. Edward A. McDermott, Director, Office of Emergency Planning.

I am informed that you plan to hold a conference of the National Defense Executive Reserve in October. There is a real need for a reserve of highly qualified individuals from American industry, labor, and professional groups to provide additional leadership needed in time of national emergency.

In the past, these people have been selected after the emergencies developed. I believe we should select them in advance. They can then receive additional training through the programs of the participating departments and agencies, and a more rapid and certain means of meeting emergency problems will be available.

It is encouraging to know that men of the high caliber participating in the conference are prepared to serve in the Executive Reserve, committing themselves in advance to the heavy burdens that will be placed upon them if their services should be needed.

I hope that the October conference will strengthen the Executive Reserve program and furnish a forum for the exchange of ideas between the reservists and the key Government officials who are working with them to strengthen our national security. All Federal departments with an interest in the program should participate fully in the conference and in the sponsorship of the Executive Reserve program.

I will be interested in receiving your report on the discussions that take place at the conference.

JOHN F. KENNEDY.

NATIONAL DEFENSE EXECUTIVE RESERVE

In 1955 the Defense Profuction Act was amended and section 710(e) provided for the establishment of the National Defense Executive Reserve. The purpose of the program is to establish and train a nucleus of executives outside the Government who would serve in executive positions in Government during periods of emergency.

Under Executive Order 10660, the Director of OEP is directed to institute and administer the Executive Reserve program; to coordinate the activities of other agencies in establishing units of the Reserve; to provide standards of recruitment and training; and to issue necessary rules and regulations.

Currently, 17 agencies are participating in the program under OEP's policy direction and coordination, with approximately 2,700 reservists in all parts of the country enrolled to date. The program is growing, both in numbers of reservists in existing programs and as additional agencies consider Executive Reserve units. However, it has not yet attained the strength levels necessary to support Federal mobilization programs.

Current planning, in accordance with the President's statement (attached), is directed to the expansion of the Executive Reserve in every agency delegated primary mobilization responsibilities. National goals will be established within which each agency will plan, at both national and regional levels, a year-round training program. The Executive Reserve program will be strengthened in the field to supplement State and local emergency resource management programs.

The first phase of improving and expanding the Reserve will be covered in the Third National Training Conference scheduled to be held October 22, 1962, in Washington. This conference will identify the changing roles of the Federal agencies under the Executive orders, and will emphasize readiness in the field to carry out emergency assignments.

Administration of the total Executive Reserve program by OEP requires 4 man-years.

TRAINING PROGRAM

Mr. McDERMOTT. The President feels that this program is important and it does flow from the Defense Production Act.

Senator MAGNUSON. All right.

Senator ALLOTT. Let me ask one question on that.

Do these men actually participate in the training?

Mr. McDERMOTT. Yes, and I hope, to a greater degree in the future than they have in the past.

Senator ALLOTT. How much have they in the past?

Mr. McDERMOTT. Well, the BDSA, the Business and Defense Services Administration of Commerce, represents the largest segment, and they have had an extensive, and, I believe, completely successful training program.

They had a session here in Washington last year, and they have regional meetings, and I am personally very impressed with what they have done.

TOTAL IN EXECUTIVE RESERVE

Senator ALLOTT. How many people does this involve?

Mr. McDERMOTT. In the BDSA Executive Reserve? Approximately 1,300.

Senator ALLOTT. And you have 2,700 units?

Mr. McDERMOTT. No, there are 2,700 in total, sir.

There are 17 departments and agencies participating, and there are a total of 2,700 individuals in the program.

The biggest segment of those is BDSA, in Commerce.

Other departments have lesser numbers, ranging down to 10 or 15. I feel that the overall training can be improved, except I recognize that BDSA has done a good job with its reservists.

One of the objectives of the conference of October 22, which the President is supporting, is to improve the capability of these people to meet their responsibilities.

TRADE AGREEMENTS EXTENSION ACT RESPONSIBILITIES

Senator MAGNUSON. All right. Now, the Trade Agreements Extension Act.

Mr. MCDERMOTT. Well, under Section 8 of the Trade Agreements Extension Act, when interested industries petition the President for the imposition of quantitative import controls on a particular commodity, on the grounds that the importation of those commodities is adversely affecting our national security interests, the President refers that petition to the Office of Emergency Planning.

We make the detailed study and factual investigation that is necessary to arrive at a determination.

We make a recommendation to the President and he acts accordingly, or, he acts on the recommendation, not necessarily "accordingly."

But there is considerable volume of activity under section 8 of the Trade Agreements Extension Act.

BUY AMERICAN ACT

Senator MAGNUSON. All right; we have the Buy American Act of 1933.

Mr. MCDERMOTT. Mr. Chambers will address himself to that.

Mr. CHAMBERS. In the Buy American Act, as you know, there is authority to pay higher prices for domestic products. The problem has come up in certain very significant items, particularly as an example in connection with steam turbine cases, whether or not we should pay a higher differential and still buy American. These cases are referred over to OEP because they almost always have some national security connotation.

Do we want to manufacture these turbines in our country or become dependent on other nations? These cases are referred to us specifically as they arise, and we do monitor them and make recommendations.

The President has to take action.

Senator MAGNUSON. Now when you speak of "differential," supposing you decide to pay or establish the differential, who pays that and how?

Mr. CHAMBERS. Well, the difference, sir, is reflected in the cost of the buying department——

Senator MAGNUSON. This is Federal, all Federal business?

Mr. CHAMBERS. All Federal business, where the Federal Government is buying. Then if we say, "Yes, we think you can go beyond the buy American differential," the buying agency will negotiate or on a bid basis get the best price they can.

Senator MAGNUSON. And that will be reflected and naturally your decision in their appropriation will indicate that?

Mr. CHAMBERS. That is correct.

DECISIONS ON ESSENTIALITY OF A PARTICULAR BUSINESS

Senator ALLOTT. Now, could I ask a question on that, Mr. Chairman?

Senator MAGNUSON. Yes.

Senator ALLOTT. How quickly are decisions ordinarily rendered on the essentiality of any particular business?

TIMELAG ON DECISIONS

Mr. CHAMBERS. I think in the past, sir, that there have been some cases that have taken entirely too long. On an average I would say it takes around 6 months.

We have seen some records where they have gone considerably longer than that.

Our aim is to get this down to where we can make a much faster decision.

Senator ALLOTT. Have some of them gone as long as a year or 2 years or for 3 years?

Mr. CHAMBERS. I do not think 2 or 3 years but, in all candidness, I think some have taken at least a year before a recommendation has been made.

Senator ALLOTT. And you are generally and genuinely trying now to get this down to a period which is within the realm of practicalities?

Mr. CHAMBERS. We think we must, sir. The evaulation of the petition that comes in depends on facts current at that time, and if we take too long we really will have to start all over again periodically to update the basis for a decision.

We must get them down where they will only take a reasonable length of time.

Senator ALLOTT. Would you say 3 months?

Mr. CHAMBERS. I cannot put a particular time on it. It might vary. Some are much more complicated than others.

There are certainly many cases where 3 months would be true; others, unquestionably, will take longer.

The point is that we want to get them down to within the most practical time.

Senator ALLOTT. Well, if you have them hanging on the ropes for 6 months or for more, do you not stymie the activity?

Do you not break this function down to the place where it is not of any real value?

EXPEDITING BUY AMERICAN CASES

Mr. CHAMBERS. I think that is correct, sir, and at the present time, for the record, on section 8 cases, as far as I know, there are none pending within our shop.

There are some pending final decisions. As far as buy American activities are concerned, I know of no cases pending and at the time we completed our recent reorganization, about 2 months ago, it was discussed in detail with the people who handle it.

And we are closely watching the cases that come in and we are going to see that they are expedited.

Senator ALLOTT. Well, assuming that you were a Senator and you got a letter from a constitutent——

Senator MAGNUSON. You are wishing him all of that trouble?

Senator ALLOTT. Which said:

> How can you justify this particular product or buy it from Europe, when their wage scale over there is $1.25 at the highest, and I am now paying close to $3?
>
> I, therefore, have to bid more or have to offer this product at more than they do and yet you are taking my dollars and going over there and buying them from them.

Now how do you answer your constituent, and I am sure you have seen one or two of these letters, Senator Magnuson.

Senator MAGUNSON. Oh, yes.

Mr. CHAMBERS. You are placing me in the active role of a U.S. Senator to answer that question.

Frankly, this goes to the whole question of the many debates on the Trade Act. This is not our role. It is not our responsibility to try to judge that particular aspect of it.

But it is a difficult question to answer and, frankly, as a Senator, sir, I would not know how to answer it. From our standpoint these questions are not referred to us. We do try to judge several things——

Senator MAGNUSON. Well, what questions are referred to you?

Senator ALLOTT. I am just trying to get the thing straightened out in my own mind.

PROCEDURE IN BUY AMERICAN CASES

Mr. CHAMBERS. When a case comes in to us, and for this purpose I will group both section 8 and the Buy American Act, because the principles are the same, we conduct a careful study in which every Government department involved participates, as to whether or not the industry concerned is going to be adversely affected if we buy foreign, and whether we would make ourselves too dependent on certain foreign manufacturers for those particular commodities which are deemed to be essential from the security standpoint.

If the decision should turn out that such is the case, then we would recommend to the President that he take appropriate action, and he may or may not agree with our recommendation, of course.

If we decide, however, when we look at it, that on balance the national security is not being threatened, then that is just about the limit of our responsibilities——

Mr. MCDERMOTT. I would like to emphasize at that point that under section 8 of the Trade Agreements Extension Act we are not authorized under the law to apply any considerations other than the national security consideration.

Economic considerations and the welfare of the industry, and so on, are not accommodated under section 8 of the Trade Agreements Extension Act. They come under other responsibilities. You are also correct, sir, when you say that there has historically been a long delay in the disposition of some of these cases.

When I assumed the directorship of this Agency——

Senator MAGNUSON. Well, how do you get the case?

Mr. MCDERMOTT. From the President, sir. In some instances they come direct; some come through the White House.

Senator MAGNUSON. Well, supposing a department is in doubt whether they should carry out this act, would they tell that to the White House who, in turn, would turn it over to you? What is the——

Mr. MCDERMOTT. They can come to us directly. Actually, sir, there has been, in my experience, no instance of the situation which you suggest. The cases which we have considered are cases that have arisen under section 8.

Senator MAGNUSON. Then you recommend to the President?

Mr. MCDERMOTT. We make an investigation and a recommendation.

Senator MAGNUSON. Then the President, to carry it out, if he agrees with you, issues an Executive order?

Mr. McDERMOTT. Not necessarily. If the finding under this section 8 analysis is that there is no impairment or adverse effect on our national security, then that is the end of it under the Trade Agreements Extension Act.

There may be further relief available through the Tariff Commission or someplace else. But if there were an affirmative finding, under section 8, by the President, that there was a national security consideration, then he would take some action, the nature of the action depending on the case.

But in April of this year there were several of these cases that were pending, and they are the cases to which the Senator refers. They have been pending, some left not only by my predecessor but his predecessors going back to Governor Hoegh's day.

My objective was to conclude those cases, and we have concluded all except one and that will be concluded very soon. But I agree with you that there must be more efficiency and proper management, not only for the Government's interest, but industry's interest, and more expeditious handling.

Senator MAGNUSON. But the President can take independent Executive action, without even referring the case to you?

Mr. McDERMOTT. Correct.

Senator MAGNUSON. And where he does that, you would have nothing to do with it?

Mr. McDERMOTT. That is correct.

Senator MAGNUSON. I mean, you would have nothing further, let's say, to do with it?

Mr. McDERMOTT. Correct.

Senator MAGNUSON. And that could go for economic reasons——

FUNCTION OF TARIFF COMMISSION

Mr. CHAMBERS. Normally, it would come to him through the Tariff Commission.

As you know, the industry goes to the Tariff Commission, and it goes to the President from the Tariff Commission.

Senator MAGNUSON. Yes; but the President can issue Executive orders without the Tariff Commission on Buy American?

Mr. McDERMOTT. That is true.

Senator MAGNUSON. Is that not correct, under the act, because, as I said, he just issued one last week on lumber.

That was a separate order and that would not come through you people.

Mr. McDERMOTT. No; nor would we normally be consulted on something like that.

Senator MAGNUSON. But if we are talking about tariffs or quotas, then the Tariff Commission would have to take some action one way or the other before the President could go ahead?

Mr. CHAMBERS. The Tariff Commission normally will not take nto consideration security problems.

We do look at them from a security standpoint when they are referred to us.

Senator MAGNUSON. Well, supposing they are talking about an industry that is vital to our national security, and they have a petition before the Tariff Commission for economic reasons that the Tariff

Commission should do something about it—would the Tariff Commission contact you for advice or would you go down and testify and make a recommendation to them?

Mr. CHAMBERS. The Tariff Commission would not. When it comes to the President's approval, then he could refer it down to us from a security standpoint.

Senator MAGNUSON. In other words, you might come in on the tail end as to what the President would do?

Mr. CHAMBERS. That is correct.

RELATION MITH TARIFF COMMISSION

Senator MAGNUSON. But there is no liaison between you and the Tariff Commission.

Mr. CHAMBERS. Well, there is actually close working liaison, but as I understand it——

Senator MAGNUSON. How did you ever break into that ivory tower?

Mr. CHAMBERS. I will withdraw that.

As I understand it, and this is probably a very poor understanding, the Tariff Commission will take a position either under the peril point provision or a request for relief, and they look to the economic factors only.

And I know, on the opposite side of the table, before the Tariff Commission, people frequently plead that "If you do not do this, it is going to adversely affect the national security."

Senator MAGNUSON. That would be part of the petition of the people asking for relief: "It might be that we are important to national security"——

Mr. CHAMBERS. That is right.

Senator MAGNUSON. And they might call on you to verify that?

Mr. CHAMBERS. Correct. But it will probably be done after recommendation by the Commission, and the President would ask us to make the study for him.

Senator MAGNUSON. Are there any questions on that phase of it?

Senator ALLOTT. I know, but I just want to bring this down to a specific industry. We have in our State an industry which is engaged in the production of scientific porcelain.

You know, these people are treated on a free hands, no holds barred, or some kind of a basis, in the world market, particularly as regards the German and Japanese porcelain.

Now, how would you get into an area like this which is distinctly of scientific and peculiar value to the United States? How would you get into this?

PROCEDURE FOR HANDLING SECTION 8 CASES

Mr. CHAMBERS. The law, the Trade Agreements Act, is rather specific. It specifies that any industry can come to OEP and petition on the grounds that imports of a particular item are such as to constitute a threat to national security. That is how we get in on it. They can also go directly to the President who can refer it down to us for study.

If we feel—and there are certain industries which we watch rather carefully—that a study should be made, we can initiate certain

studies on our own motion. At that point all these factors are evaluated and then we either recommend to the President that we deny the petition or we report to him that, in our opinion, there is a threat to the national security, at which time the President can accept or reject that finding. I believe under the law he can actually order a further study if he wants it to be made.

But, in any event, the final decision is in the President.

RELATION TO NATIONAL SECURITY

Senator ELLENDER. Is it not a fact that by using the national security theory a lot of people think they can get better results than depending strictly on the present status of the economy?

Mr. CHAMBERS. I think that is correct.

Senator ELLENDER. Would you be able to tell us what percentage of those cases presented to you really involve national security?

Mr. CHAMBERS. If I can have this piece of paper back we can speak from the record.

There have been instances where we have recommended that there is a threat to the national security.

Now, percentagewise I would say that out of the petitions that we have received, most of them have been denied; several have been withdrawn; and only one has been approved.

Senator ELLENDER. Well; I find this: On many projects here in our country, particularly public works projects, the proponents try to attach the national security aspect in order to be able to make a better case. I presume that the same thing is happening to these.

Mr. CHAMBERS. Well, I would think, sir, that an industry, when it approaches its problem, is going to take very route that may offer relief, and which they feel may be one that they can use.

Senator MAGNUSON. And it is pretty hard to find a dividing line.

Where do you stop? There are some things that obviously are in the national security interest. Other things are in the middle, and——

Mr. CHAMBERS. Well, of course, it gets them to the question as to whether or not the imports are such as to threaten it, and this gets down to be a very tight point at times.

ACTION ORIGINATED BY INDUSTRY

Mr. MCDERMOTT. On the point you made originally, the industries are well aware of their rights under section 8, and if they feel there is a security consideration they generally initiate the action with us rather than wait for the Tariff Commission to bring it in through the back door.

Senator MAGNUSON. Yes. I want to say this off the record.

(Discussion off the record.)

SUMMARY OF RESPONSIBILITIES

Mr. MCDERMOTT. At this point, I would like to submit for the record a paper which summarizes our responsibilities in the general area of resources planning and mobilization that we have been discussing and a table showing the status of investigations conducted under the Trade Agreements Extension Act.

(The material referred to follows:)

Resources Planning and Mobilization

In this area of its responsibility, OEP has three objectives: (1) The creation of organizational structures and systems to control resources under emergency conditions, (2) the establishment and maintenance of a mobilization base (including stockpiling of critical materials) to meet emergency demands, and (3) the preparation of estimates and analyses, in advance, of requirements to be placed on the total economy in relation to its ability to respond under a variety of emergency conditions. Specific examples of OEP efforts and accomplishments are as follows:

SUPPLY-REQUIREMENTS STUDIES

Supply-requirements studies of major resources are underway (materials, manpower, transportation, petroleum, electric power, production facilities, and industrial components) for both conventional and nuclear war, including attack on the United States. These studies will provide the basis for a complete review of the objectives for all material in the national stockpile of strategic and critical materials.

Preliminary analyses of many of these studies should be completed by the end of calendar year 1962. This target date is predicated on both OEP and the delegate agencies having at least the number of personnel they have now.

STRATEGIC AND CRITICAL MATERIALS

The House report accompanying H.R. 12711 (independent offices appropriation bill, 1963) contained the following statement on page 12:

"The committee has omitted language contained in the bill last year authorizing materials in the inventory to be used for payment-in-kind for expenses of beneficiating materials pending a decision on future policies relating to stockpiling."

OEP supports GSA's request for restoration of the language for the following reasons:

1. Future policies concerning the stockpiling of materials have, to a large degree, been completed, including determination that (*a*) all objectives will be reexamined and, where necessary, revised to indicate wartime deficits based on current DOD strategic plans; (*b*) there will be an orderly disposal program of any identified surpluses; (*c*) a new procurement program will be developed limited to three or four unfilled objectives, with barter as a substitute for cash wherever possible, and (*d*) a restricted barter program will be established.

2. Payment-in-kind during the past year has resulted in a cash saving of more than $2 million, and has reduced our surpluses an equal amount.

3. Upgrading of materials is urgently needed, all to be financed by payment-in-kind. Specifically:

(*a*) Upgrading of columbite and tantalite ores to columbium and tantalum metals.

(*b*) Upgrading of subspecification manganese ores at Butte, Mont., to specification grade silicomanganese.

(*c*) Upgrading of gum opium to morphine powder to provide a ready source of morphine for survival purposes in event of nuclear attack on this country.

(*d*) Upgrading of castor oil to sebaic acid.

PRODUCTION EQUIPMENT

Efforts over a 3-year period to stimulate modernization of production equipment will bear fruit under the liberalized depreciation rules issued July 12 by the Treasury Department. This will gradually strengthen the mobilization base.

PLANNING FOR EMERGENCY COORDINATION

In 1963 work will be accelerated on the development of the organizational arrangements, procedures, and systems required for centralized control of resources under emergency conditions including nuclear attack on the United States. In order to assure the most effective and efficient use of resources in the event of an emergency, the plans for a central programing organization and a system for determining resources use, must be developed now.

MANPOWER

Effective mobilization and utilization of the Nation's human resources in time of emergency is vital. In fiscal year 1962 the primary emphasis was on completing mobilization planning among the Federal agencies, and on obtaining the support and participation of State and local governments. OEP has completed the series of manpower conferences begun last year. Results at Federal, State, and local levels have been very encouraging. In addition, OEP will continue to feature manpower planning as an element of its comprehensive program.

In fiscal year 1962, work was concluded on pilot projects in community planning for manpower mobilization. The Kalamazoo, Mich., approach was to identify manpower, in conjunction with other resources, which can be earmarked in advance for possible use in an emergency. The report is being analyzed, and will be reworked, to serve as a general guideline for possible use in other interested communities. In Allentown, Pa., and Tallahassee, Fla., working with the Bureau of Apprenticeship and Training, the U.S. Department of Labor worked out a plan for mobilizing task forces of manpower in specific building trades. Five other cities in Florida have adopted the technique and are proceeding with plans on this basis.

A subcommittee of the OEP Committee on National Labor-Management, Manpower-Management, developed a study on the reemployment rights of workers who leave jobs to perform emergency service. The Committee on Specialized Personnel has continued its surveillance in the fields of scientific and technical manpower.

ECONOMIC STABILIZATION

During this fiscal year 1962, OEP continued its efforts to strengthen mobilization readiness with respect to the Nation's emergency economic stabilization plan (annex 27 to the national plan), particularly in connection with possible nuclear attack.

Annex 27 with draft appendixes on emergency price stabilization, emergency rent stabilization, emergency wage and salary stabilization, consumer rationing, and monetary, banking, and credit controls were widely circulated to all States and territories through the medium of regional OEP offices and regional economic stabilization conferences. Encouraged by the reaction to the unprecedented preparedness concepts outlined in annex 27 and the draft operating appendixes, major emphasis was placed upon developing State and local understanding of emergency economic stabilization policies and plans and creating the necessary State and local nucleus organizations to administer postattack price and rent stabilization, and emergency consumer rationing, wherever economic functioning was possible.

Thus far, 37 States have designated an individual to assume responsibility for developing a statewide emergency economic stabilization program, 13 States have organized State level consumer rationing committees, and 7 States have established emergency price and rent stabilization committees.

With added emphasis from the comprehensive plan for State and local resources management and the recent regional conferences on resource planning, OEP's objective is for all States to be completely organized for stabilization preparedness work during fiscal year 1963.

The Department of the Treasury, the Federal Reserve Board, the Federal Home Loan Bank Board, the Council of Economic Advisers, and other financial agencies, continued to develop their policies and emergency measures for the restoration, continued functioning, and stabilization of the monetary and economic systems in the undamaged or relatively undamaged areas during the postattack period. Special attention was devoted during the year to developing methods and procedures for carrying out postattack emergency financial policies already agreed upon.

The Housing and Home Finance Agency assisted OEP with plans for emergency rent stabilization. During the fiscal year, HHFA started work on a training guide for use by State and local organizations in developing their capability to handle emergency and postattack rent stabilization. The guide is planned for release in 1963. The Department of Labor assisted OEP in developing readiness for handling emergency and postattack wage and salary stabilization measures through its Wage and Hour Division field offices. Having agreed upon plans and policies, worked toward a state of readiness in its field offices to administer such plans in the event of an emergency.

OEP continued its series of regional economic stabilization conferences to present emergency plans to officials of all levels of government and to representatives of industry, business, and finance.

Additional progress was made during the fiscal year in identifying the requirements of State and local governments to enhance their capability to undertake local emergency rationing after an attack. Proposals advanced to meet such requirements are now being considered.

NATIONAL SECURITY INVESTIGATIONS OF IMPORTS

Section 8 of the Trade Agreements Extension Act of 1958 (Public Law 85–686) provides the authority and a means for determining the extent to which imports may be threatening to impair the national security. The OEP Director is responsible for investigating allegations that an article is being imported into the United States in quantities and under circumstances which threaten to impair the national security. If, as a result of an investigation, he is of the opinion that a threat to the national security exists, he must so advise the President.

No new applications for investigation under section 8 (Public Law 85–686) were filed in fiscal year 1962. However, work continued on four outstanding cases and three of these were concluded by the end of the fiscal year. On May 29, 1962, the Director OEP announced his conclusions that imports of transistors and related semiconductor products were not threatening the national security. The same conclusions were announced on June 5, 1962, about imports of surplus military rifles and on June 22, 1962, about imports of hard fiber cordage and twine products. The national security investigation of imports of textiles and textile manufactures was the only case outstanding at the end of fiscal year 1962. The basic work on this case is nearly completed.

Table 1 shows the status of all national security import investigations under Public Law 85–686.

Resources planning and mobilization work in OEP requires a total of 89 people.

TABLE 1.—*Investigations under the Trade Agreements Extension Act of 1958 (Public Law 85–686)*

Product or commodity	Source of petition	Date filed	Status
Cobalt	Howe Sound Co., 500 5th Ave., New York, N.Y.	Oct. 2, 1958	Petition denied, Oct. 2, 1959.
Cordage and twine products, hard fiber.	Plymouth Cordage Co., Plymouth, Mass., and Columbian Rope Co., Auburn, N.Y.	Sept. 13, 1960	Petition denied, June 22, 1962.
Crude oil and its products	Department of State and Department of Defense.	Jan. 22, 1959	Certified to the President, Feb. 27, 1959.
Dental burs [1]	American Dental Association, 1010 Vermont Ave. NW., Washington, D.C.	May 12, 1958	Petition withdrawn, Jan. 10, 1961.
Electric power equipment, heavy.[1]	General Electric Co., Schenectady, N.Y., and National Electrical Manufacturers Association, 115 East 44th St., New York, N.Y.	Mar. 7, 1958	Petition denied, June 12, 1959.
Fluorspar	American Fluorspar Producers Association, Elizabethtown, Ill.	Oct. 29, 1958	Petition denied, Sept. 25, 1959.
Steam turbine generators	General Electric Co., Schenectady, N.Y., and Westinghouse Electric Corp., Pittsburgh, Pa.	Feb. 20, 1959	Petition denied, Nov. 18, 1960.
Surplus military rifles	Sporting Arms and Ammunition Manufacturers Institute, 250 East 43d St., New York, N.Y.	June 29, 1959	Petition denied, June 5, 1962.

RESPONSIBILITIES UNDER COMMUNICATIONS ACT

Senator MAGNUSON. All right. Now, you have responsibilities under the Communications Act of 1934.

Now, how do you fit into that?

Mr. MCDERMOTT. Well, there has been previously in OCDM, our predecessor agency, a telecommunications responsibility.

However, in this reorganization that has taken place, in February of 1962, the President issued another Executive order, 10995, which I

will submit for the record together with some data on the telecommunications program and workload.

Senator MAGNUSON. All right. We will put that into the record.

(The Executive Order No. 10995 and other material referred to follows:)

[Reprinted from the Federal Register, Feb. 20, 1962 (27 F.R. 1519)]

EXECUTIVE ORDER 10995

ASSIGNING TELECOMMUNICATIONS MANAGEMENT FUNCTIONS

Whereas telecommunications is vital to the security and welfare of this Nation and to the conduct of its foreign affairs;

Whereas it is imperative that the United States maintain an efficient and well-planned national and international telecommunications program capable of stimulating and incorporating rapid technological advances being made in the field of telecommunications;

Whereas the radio spectrum is a critical natural resource which requires effective, efficient, and prudent administration in the national interest;

Whereas it is essential that responsibility be clearly assigned within the executive branch of the Government for promoting and encouraging effective and efficient administration and development of U.S. national and international telecommunications and for effecting the prudent use of the radio frequency spectrum by the executive branch of the Government;

Whereas there is an immediate and urgent need for an examination of ways and means of improving the administration and utilization of the radio spectrum as a whole;

Whereas there is an immediate and urgent need for integrated short and long-range planning with respect to national and international telecommunications programs, for continuing supervision over the use of the radio frequency spectrum by the executive branch of the Government and for the development of national policies in the field of telecommunications:

Now, therefore, as President of the United States and Commander in Chief of the Armed Forces of the United States, and by virtue of the authority vested in me by sections 305 and 606 of the Communications Act of 1934, as amended (47 U.S.C. 305 and 606), and by section 301 of title 3 of the United States Code, it is hereby ordered as follows:

SECTION 1. There is hereby established the position of Director of Telecommunications Management, which position shall be held by one of the Assistant Directors of the Office of Emergency Planning provided for under Reorganization Plan No. 1 of 1958, as amended (72 Stat. 1799).

SEC. 2. Subject to the authority and control of the President, the Director of Telecommunications Management shall:

(a) Coordinate telecommunications activities of the executive branch of the Government and be responsible for the formulation, after consultation with appropriate agencies, of overall policies and standards therefore. He shall promote and encourage the adoption of uniform policies and standards by agencies authorized to operate telecommunications systems. Agencies shall consult with the Director of Telecommunications Management in the development of policies and standards for the conduct of their telecommunications activities within the overall policies of the executive branch.

(b) Develop data with regard to U.S. Government frequency requirements.

(c) Encourage such research and development activities as he shall deem necessary and desirable for the attainment of the objectives set forth in section 6 below.

(d) Contract for studies and reports related to any aspect of his responsibilities.

SEC. 3. The authority to assign radiofrequencies to Government agencies, vested in the President by section 305 of the Communications Act of 1934, as amended (47 U.S.C. 305), including all functions heretofore vested in the Interdepartment Radio Advisory Committee, is hereby delegated to the Director of the Office of Emergency Planning, who may redelegate such authority to the Director of Telecommunications Management. Such authority shall include the power to amend, modify, or revoke frequency assignments.

SEC. 4. The functions and responsibilities vested in the Director of the Office of Emergency Planning by Executive Order No. 10705 of April 17, 1957, as amended, may be redelegated to the Director of Telecommunications Management. Executive Orders No. 10695A of January 16, 1957, and No. 10705, as

amended, are hereby further amended insofar as they are inconsistent with the present order. Executive Order No. 10460 of June 16, 1953, is hereby revoked.

SEC. 5. The Director of Telecommunications Management shall establish such interagency advisory committees and working groups composed of representatives of interested agencies and consult with such departments and agencies as may be necessary for the most effective performance of his functions. To the extent that he deems it necessary or advisable to continue the Interdepartment Radio Advisory Committee, it shall serve in an advisory capacity to the Director of Telecommunications Management.

SEC. 6. In carrying out functions under this order, the Director of Telecommunications Management shall consider the following objectives:

(a) Full and efficient employment of telecommunications resources in carrying out national policies;

(b) Development of telecommunications plans, policies, and programs under which full advantage of technological development will accrue to the Nation and the users of telecommunications; and which will satisfactorily serve the national security; sustain and contribute to the full development of world trade and commerce; strengthen the position and serve the best interests of the United States in negotiations with foreign nations; and permit maximum use of resources through better frequency management;

(c) Utilization of the radio spectrum by the Federal Government in a manner which permits and encourages the most beneficial use thereof in the public interest;

(d) Implementation of the national policy of development and effective use of space satellites for international telecommunications services.

SEC. 7. Nothing contained in this order shall be deemed to impair any existing authority or jurisdiction of the Federal Communications Commission.

SEC. 8. The Director of Telecommunications Management and the Federal Communications Commission shall assist and give policy advice to the Department of State in the discharge of its functions in the field of international telecommunications policies, positions, and negotiations.

SEC. 9. The Director of Telecommunications Management shall issue such rules and regulations as may be necessary to carry out the duties and responsibilities vested in him by this order or delegated to him under this order.

SEC. 10. All executive departments and agencies of the Federal Government are authorized and directed to cooperate with the Director of Telecommunications Management and to furnish him such information, support, and assistance, not inconsistent with the law, as he may require in the performance of his duties.

JOHN F. KENNEDY.

THE WHITE HOUSE, *February 16, 1962.*

TELECOMMUNICATIONS MANAGEMENT

Following are specific workload figures and accomplishments in the field of telecommunications management:

Frequency assignment statistics

	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963 estimate
Applications received for radiofrequency assignments	7,895	7,640	8,500
Agenda items resulting from applications received	14,289	13,900	16,000
Number of actions required to handle agenda items	26,628	31,375	36,000
New assignments within the total actions (above)	11,831	14,560	16,000
Number of IBM cards required to handle frequency actions	80,000	96,000	108,000
Number of cards in file of Government assignments	----------	250,000	----------
Number of cards in file of non-Government assignments	----------	360,000	----------

Maintenance and use of records

1. Conversion of the format of the list of frequency assignments to Government radio stations, begun in 1960, was completed in fiscal year 1962. This project required the manual punching of 228,000 cards and the proofing of 140,000 lines of information. Approximately 83,000 cards were processed in fiscal year 1962 alone. Purpose of the project was to permit more efficient use of the capabilities of the machine system.

2. Maintenance of the duplicate card file of non-Government assignments involved the processing of approximately 166,000 cards in fiscal year 1960, 184,000 cards in fiscal year 1961, 360,000 cards in fiscal year 1962. About 240,000 cards are expected to be handled in this project in fiscal year 1963.
3. Listing of approximately 7,000 U.S. Government oversea assignments will require the punching of approximately 20,000 IBM cards in fiscal year 1963.
4. Miscellaneous sorting and tabulating projects will be performed for individual agencies as requested.

Mobilization planning

There was a continuing review of:
1. The priority system for resumption of leased intercity private-line service. There are an estimated 10,500 certifications presently on file. An estimated 105,000 circuits or networks have been so certified.
2. The precedence systems for—
   Public telephone messages.
   Public telegraph messages.
   TWX.
3. Two Government frequency-usage plans for emergency. (Classified.)
4. The plan for Government use of non-Government channels to oversea points. (Classified.)
5. Procedures for obtaining telecommunications resources during, or for use during, a war emergency.
6. Telecommunications aspects of continuity of Government plans, including:
   Relocation site and communications facilities.
   Nucleus staff, including executive reservists.
   Essential records.
7. Industry participation in emergency planning, covering
   Express and bypass routes.
   Underground transcontinental cable.
   Emergency operating centers.
   Plans for continuity of management and operations.

The telecommunications management responsibilities reflected in the regular 1963 budget submission require 49 people. Additional responsibilities have been assigned by the President. These responsibilities, and the personnel required, are reflected in a supplemental which is expected to be reviewed by the Senate in a few days.

TELECOMMUNICATION RESPONSIBILITIES

Mr. McDERMOTT. The President, in that Executive order, took the bulk of the telecommunications responsibilities that reposed with him and delegated them to the Director of the Office of Emergency planning, and at the same time established a new position of Director of Telecommunications Management in the Executive Offices of the President.

Senator MAGNUSON. Now, let's see——

Mr. McDERMOTT. And that is Dr. Irvin Stewart, who is Director of Telecommunications Management, and he is here this morning.

Senator MAGNUSON. Oh, there he is.

Mr. McDERMOTT. And he is here to answer any questions on this.

Senator MAGNUSON. Now, he has got a new shop?

Mr. McDERMOTT. Well, he is an Assistant or one of the three Assistant Directors, Presidential appointees, in the Office of Emergency Planning.

In addition, he is the Director of Telecommunications Management. So, Dr. Stewart has the full responsibility for the implementation of the assignment to OEP in the telecommunications field under Executive Order 10995.

There is a substantially expanded telecommunications responsibility under this order.

Dr. Stewart was selected by the President on the basis of his qualifications and will answer any questions on telecommunications.

ORGANIZATION OF AGENCY

Senator MAGNUSON. Well, for the rest of the committee, we ran over this quite carefully in the Commerce Committee when Dr. Stewart was up there, but what they have done is they have correlated all these activities of boards and so forth in your group here, and Dr. Stewart has charge of this and this involves all the problems of the spectrum, defense problems and the use of the spectrum and things of that nature.

Mr. MCDERMOTT. Correct.

Senator MAGNUSON. And he has the final say, speaking for the President, in these matters, but he——

Mr. MCDERMOTT. Yes.

Senator MAGNUSON (continuing). Does have to have liaison with you people yet?

Mr. MCDERMOTT. He is an Assistant Director of our agency. So he works closely with and through me.

Senator MAGNUSON. What is our friend "Charlie"?

Mr. MCDERMOTT. Charlie Brewton is an Assistant Director, as is Mr. John Cosgrove, who is seated over here.

They are the three Assistant Directors of the agency and they do a multitude of things.

Senator MAGNUSON. Well, we are glad to see Charlie back, because he is an old hand around here.

Senator ELLENDER. How many Directors have you?

Mr. MCDERMOTT. There is a Director of the agency——

Senator ELLENDER. Yes.

Mr. MCDERMOTT. The position I hold. There is a Deputy, Mr. Chambers.

They are three Assistant Directors. They are all Presidentially appointed and confirmed by the Senate.

Senator ELLENDER. All doing different work?

Mr. MCDERMOTT. They all have different responsibilities within the agency.

As you see here, this agency covers a rather wide spectrum of activities, and these gentlemen——

Senator ELLENDER. I thought it was about to go out of existence at one time.

Mr. MCDERMOTT. Well, that was a misconception, Senator Ellender, flowing from the fact that when the President issued Executive Order 10952 transferring the operating responsibilities for Civil Defense to the Department of Defense, nothing was said in that order about all the residual responsibilities of OEP.

So it looked in that order as though we were going out of business, but that is not the fact.

Senator ELLENDER. You know, whenever the Government organizes an agency, that agency rarely dies. It goes on living and expanding.

I suppose you are asking for more money here today to get more people?

Mr. MCDERMOTT. No, sir.

Senator ELLENDER. If not, you will certainly be an exception.

Mr. MCDERMOTT. We are an exception. We are going the other way, I am proud to say, sir.

This is a small agency, and I think we are improving its efficiency considerably, and we have a small appropriation request.

Senator MAGNUSON. Dr. Stewart, you put in the record a brief statement of your activities in the field, because you have been down there now a few weeks and we would kind of like a little report in the record, not too long, but just a brief statement.

Senator ELLENDER. Suppose you do that along with the other Assistants.

Senator MAGNUSON. Yes, and, Charlie, you put one in also. And who else?

Mr. MCDERMOTT. Mr. John Cosgrove. We will submit these papers for the record.

In addition, we will submit a paper on each major program, explaining exactly what is done and how many people are involved, so the record will be complete.

(The information referred to follows:)

The Assistant Directors, together with the Deputy Director, serve as the Director's principal advisers on policy decision and are called upon to represent the Director in dealings with policy level officials of other Federal departments and agencies and with nongovernmental groups. The Assistant Directors also are assigned the responsibility for special programs and efforts which involve various segments of the agency. For example, Assistant Director Brewton currently has the responsibility for directing all appropriate followup on the comprehensive program and monitoring all phases of the textile study under section 8 of the Trade Agreements Extension Act. Assistant Director Cosgrove currently has the responsibility for reorganizing the national executive reserve program, for certain relationships with State and local officials and organizations, and for the initial development of the new Liaison and Public Affairs Office. The responsibilities of Assistant Director Stewart, who also is the Director of Telecommunications Management, are covered in the following report on telecommunication activities.

TELECOMMUNICATIONS

Executive Order 10995 assigning additional functions in telecommunications was signed February 16, 1962. The Assistant Director of OEP who became Director of Telecommunications Management under that order took office subsequent to the submission of the budget request to the Congress. No additional personnel have been added to the Telecommunications Office as yet. The demands placed upon the existing staff by the current workload are such that new actions related to the Executive order have been started only to a very limited extent. A request for additional personnel to carry out the duties under Executive Order 10995 is now pending in the Bureau of the Budget and should reach the Congress shortly.

With radio conferences on space communications scheduled to be held in New Delhi in January 1963 on technology and Geneva in October 1963 on frequency allocations, a great deal of effort has been devoted to developing the position to be taken by the United States. This activity will increase in magnitude and urgency in the coming weeks.

A new agreement on the coordination of radiofrequency assignments above 30 megacycles has been negotiated between Canada and the United States to bring about more efficient use of the radio spectrum in the border areas of the two countries. It is expected to come into force within the next few weeks.

A statement of the preliminary views of the executive branch on additional frequency allocations for radioastronomy has been developed and is now in the process of coordination with the Federal Communications Commission.

Considerable progress has been made, working with the International Frequency Registration Board, Geneva, Switzerland, in the review of uses of high frequencies pursuant to the 1959 Geneva telecommunication conference results. It has been possible to delete a number of points of communication no longer heavily used because of changes in requirements. This work is expected to be continued for some time at a high level of activity.

Radar design criteria have been developed and are being prepared for distribution to all Federal agency users of radar. These criteria are an initial step toward the establishment of standards of good engineering practice for executive branch agencies. Their application to the design and procurement of future

equipments should improve considerably the effectiveness of use of the radio spectrum.

Rules have been developed for Government agency use of frequencies with incidental, restricted, and low-power radiation devices without the need for a specific application and assignment. These rules are similar to those of the Federal Communications Commission. Heretofore, every radio station operated by a Government agency had to be specifically authorized regardless of how low the power. The result is a uniform requirement for Government and non-Government users.

A requirement has been introduced that each Government agency certify in connection with each application for a new or modified frequency assignment that a study of existing assignments has revealed that none of them could meet the need which led to the application under consideration.

A spot-check survey of radio monitoring information was started to help determine the best method of reviewing the use actually being made of frequencies by executive agencies, but additional qualified personnel will be needed if work in this area is to be carried out effectively.

A survey was initiated to determine Federal agency uses of electronic data-processing systems, currently in use or planned for the future, in connection with the management of telecommunication resources, facilities, and systems, including the solution of scientific, engineering, and technical problems associated therewith. Of particular interest in this area is the adaptation of available information and experience to assist in applying electronic computer techniques to frequency selection, assignment, and recordkeeping activities of the executive branch.

The processing of radio frequency assignments for the radio stations of the Federal Government has continued at an accelerated rate, more than 7,600 applications for such assignments having been handled in fiscal year 1962. This resulted in more than 31,000 frequency actions and consequential changes in the master card file of frequency assignments to the radio stations of the Federal Government. There is underway the transfer of the function of recording Government frequency assignments from Washington to the existing Machine Records Unit in Frostburg, Md. When completed, efficiency should be increased significantly and cost reduced through a lower rate of personnel change.

A start has been made on a survey of the telecommunications policies and systems of the agencies of the executive branch of the National Government.

A restudy of the organization for the handling of telecommunications in an emergency has been substantially completed; it should result in a reorientation of the emergency telecommunications program before the end of the calendar year.

Activities outlined above involve close coordination with the Federal Communications Commission.

FEDERAL DISASTER ACT

Senator MAGNUSON. All right. Let's move on.

The Federal Disaster Act.

Mr. MCDERMOTT. Under public law——

Senator MAGNUSON. If you look on page 3 you might see what we are discussing.

Mr. MCDERMOTT. Under Public Law 875 we administer for the President his responsibilities under the Federal Natural Disaster Act.

There is not included in our fiscal 1963 appropriation any request for funds for the President's account for this purpose.

But in view of the storm that occurred on the east coast in March, since the fiscal year 1963 appropriation was prepared, it is probable that there will be a supplemental request some time during the year.

As you know, when a major disaster occurs the Governor of the affected State or States can petition the President for the declaration of a major disaster.

Senator MAGNUSON. That is right.

Mr. MCDERMOTT. When such a request is received by the President he turns that over to us.

PROCEDURES UNDER ACT

We, through our field organization, make the necessary investigation to see if the conditions precedent to the invocation of Public Law 875, have been met. That is, we determine the severity and the extent of the damage, particularly the public damage.

We determine whether the States have expended in the preceding 12 calendar months from their funds, the requisite amounts of money to qualify under Public Law 875 and so on.

If we determine that the particular disaster qualifies under the law, I make that recommendation to the President and if he agrees, he makes a Presidential declaration of a major disaster. When he does that, it invokes a number of activities throughout the Federal Government structure.

For example, the Housing and Home Finance Agency becomes involved, the Department of Agriculture and the Bureau of Public Roads, the Corps of Engineers, and others.

We then, in the field, direct and coordinate the activities of all of these Federal agencies that participate in the emergency restoration, of the damage done by that storm. We supervise the allocation of the funds to the States and local communities for qualifying work and handle all of the administrative and accounting phases.

PROCEDURE UNDER PRESIDENTIAL ORDER

Senator MAGNUSON. All right. Now, suppose you go through that procedure and the President issues the order——

Mr. MCDERMOTT. Yes, sir?

Senator MAGNUSON. And the Army Engineers are directed to do certain things.

Mr. MCDERMOTT. Correct, sir.

Senator MAGNUSON. Do they then come to us in their appropriations for the money?

Mr. MCDERMOTT. No, that money, sir, is appropriated to a special account of the President.

Senator MAGNUSON. This is the President's $10 million fund?

Mr. MCDERMOTT. Well, it varies.

Senator MAGNUSON. Well, we keep it at that level.

Mr. MCDERMOTT. It is a little under that now as a result of this east coast disaster, but all of those moneys are expended from that account.

EAST COAST DISASTER

Senator MAGNUSON. Let's take the east coast disaster. All of these departments have been coming in here asking for extra money because they had to do some extra work due to the east coast storms.

The other day we gave the Coast and Geodetic Survey quite a large sum of extra money——

Senator ELLENDER. Mr. Chairman, in those instances I have had the experience with public works appropriations.

That is where permanent damage is done to navigation and related areas.

Mr. MCDERMOTT. Right.

Senator ELLENDER. And he is interested in the civilian——

Mr. McDERMOTT. In just the emergency restoration.

Senator MAGNUSON. Emergency? Just as the name implies? You do not go any further than that?

ACTIVITY AT STATE LEVEL

Mr. McDERMOTT. Right. We make emergency repairs of essential public facilities.

Now one other thing that might clarify your point is that, as a result of this east coast storm and the damage, there has been considerable activity at the State level for the Federal Government to do more or to participate more fully with the State.

So, conceivably, departments and agencies involved in that might be asking for separate funds, but that is separate from this.

Senator ELLENDER. Mr. McDermott, I do not understand one of the categories which you mentioned. You said the State had to do something or had to expend funds.

Mr. McDERMOTT. Correct.

Senator ELLENDER. What is that?

DISASTER RELIEF SCHEDULE FOR STATES

Mr. McDERMOTT. There is a schedule that has been developed by the Federal Government, in cooperation with the Governors' conference, under which a State, depending upon its economic situation and population, has a certain sum in a schedule that the Governor must certify has been expended by the State in disaster costs either currently or in the 12 calendar months preceding the occurrence of the particular disaster.

Senator ELLENDER. Federal money?

Mr. McDERMOTT. No, State money. In other words, if a natural disaster occurred in State X——

Senator ELLENDER. It must be ready to do a certain amount of work?

Mr. McDERMOTT. Correct. If the disaster occurred in State X and State X, under this schedule, had a $100,000 requirement, the Governor would have to certify that in the preceding 12 calendar months State X, from its own funds, expended at least $100,000 over and above normal expenditures in the restoration of like damage.

In other words, when a disaster occurs the Federal Government does not come in right away and pay its own money. There has to have been State participation on a graded basis—depending upon the State—prior to eligibility for Federal funds.

Senator ELLENDER. Well, I presume that that is in order to make it so that there will not be too much dependence on the Federal Government?

STATE OBLIGATION

Mr. McDERMOTT. Correct. In other words, the States have an obligation.

Now it is important, sir, that the State funds need not be expended on the immediate disaster so that you hold up repairs. We have a 12 preceding calendar month test.

So if they had a series of small floods, and small windstorms and so on, and the State did expend x dollars and such in that preceding 12

months, then they automatically qualify in this disaster. But that determination and a Presidential declaration must be made before moneys are allocated.

Senator ALLOTT. I do not understand the logic of that.

METHOD OF HANDLING ALLOCATIONS

You might have a situation in any State, for instance the State of Delaware where they may not have had any damage or spent any money in this respect in the previous years at all. They might have had no occasion to. Then comes a storm like they had last spring. Then what do you do with them? They would not expend any money, and it seems to me that what you are saying is, "The Lord did not visit his sins on you last year, so that you had to expend any money; therefore, you cannot get any money."

Mr. MCDERMOTT. I beg your pardon, Senator, I misled you. The State can qualify by making the expenditure in the current disaster, but ordinarily it does not work that way.

States and political subdivisions of every State are, every month or every week, expending money in the repair of public facilities that have been damaged in some kind of a minor casualty.

So that in most instances they can make the showing or if a true major disaster occurs it becomes evident very early that the State is going to be spending additional funds that will qualify it. Now——

Senator ALLOTT. Now in that event then——

Mr. MCDERMOTT. We would not hold up the declaration.

Senator ALLOTT. You would have another one which is not only what they spent in the last 12 months but what they are prepared to spend now in the case of a disaster?

PROMPT STATE ACTION

Mr. MCDERMOTT. It can work that way.

As a matter of fact, I do not know of any instance where an eligible major disaster has occurred justifying Presidential action where the State has not, in fact, already expended its money.

Now you asked whether this is desirable or not. It is interesting, I believe, that this procedure has been approved by the Governors themselves, and they have agreed that this is a reasonable requirement, that the States make some expenditure from their own funds for disasters of this kind.

Senator ALLOTT. With this, I am in complete accord. I do not want to be put in the wrong position here. But I just wanted to be sure that the criteria was also whether or not the States are willing to participate now. Now upon what percentage basis is this participation?

NATURAL DISASTER PROGRAM

Mr. MCDERMOTT. I will submit for the record a paper on the natural disaster program and allocations made in 1962, and with that I will submit to you a schedule showing what the requirements presently are for each State.

I do not have it available in the materials here, but there will be a listing of the 50 States, showing what the requirement is as well as our experience in fiscal year 1962.

(The information referred to follows:)

PUBLIC LAW 875 DISASTER ASSISTANCE—REGULATIONS CONCERNING MINIMUM STATE EXPENDITURES

Federal assistance under Public Law 875 in any State is available only after the Governor of that State certifies that the total of State and local expenditures (over and above normal expenditures) for disaster relief purposes exceeds an amount published by the Director, OEP, as the minimum for that State and that disaster and for all disasters during a 12-month period immediately preceding the request. The following annual schedule of minimum State and local expenditures and obligations is currently in effect:

$250,000 minimum:
- Alaska
- Hawaii
- Idaho
- Nevada
- New Hampshire
- North Dakota
- Puerto Rico
- South Dakota
- Vermont
- Virgin Islands
- Wyoming

$500,000 minimum:
- Arizona
- Arkansas
- Delaware
- District of Columbia
- Maine
- Mississippi
- Montana
- New Mexico
- Rhode Island
- Utah

$1 million minimum:
- Alabama
- Colorado
- Kansas
- Kentucky
- Nebraska
- Oklahoma
- Oregon
- South Carolina
- West Virginia

$1,500,000 minimum:
- Connecticut
- Florida
- Georgia
- Iowa
- Louisiana
- Maryland
- Minnesota
- North Carolina
- Tennessee
- Virginia
- Washington

$2 million minimum:
- Indiana
- Massachusetts
- Missouri
- Wisconsin

$2,500,000 minimum:
- Michigan
- New Jersey
- Ohio
- Texas

$3 million minimum:
- California
- Illinois
- New York
- Pennsylvania

NATURAL DISASTER

There was no request for disaster funds in the 1963 budget. At the time of the budget call, it was anticipated that there would be a sufficient carryover to cover emergencies occurring in fiscal year 1963. The March 6–8, 1962, storm changed this. A subsequent supplemental appropriations request was intended to provide funds for current disaster work and a carryover for 1963. Funds required for the east coast storm exceeded early estimates. The balance in the fund on July 30 was $5,165,844.

During fiscal year 1962, 16 major disasters were declared in 14 States. Funds totaling $47,005,000 were allocated for these disasters. Hurricane Carla in September 1961 and the east coast storm of March 1962 made the greatest impact on disaster operations. The March storm alone resulted in allocations totaling $30,550,000 for six States. Attached is a list showing Presidential declarations of major disaters and amounts allocated from the President's fund.

The basic objective of the natural disaster program is to provide relief in accordance with Public Law 875. A constant goal is to improve administration of the program by OEP, Federal agencies, and the States. New procedures initiated in the past fiscal year have expedited assistance and simplified financial procedures, while still assuring adequate controls. In a further effort to improve program administration, an educational program is underway to explain Federal disaster relief to Governors and other State officials, to Congressmen, to local

applicants and the general public, and to acquaint them with requirements and procedures.

Administration of the total natural disaster program by OEP requires 10 man-years supported by the "Salaries and expenses" appropriation.

Major disaster declarations, fiscal year 1962

State	Date of declaration	Type	Allocation
West Virginia	July 23, 1961	Floods	$1,750,000
Texas	Sept. 16, 1961	Hurricane Carla	8,000,000
Louisiana	do	do	0
California	Nov. 16, 1961	Brush and forest fires	830,000
Idaho	Feb. 14, 1962	Floods	1,250,000
Nevada	Feb. 22, 1962	do	325,000
California	Mar. 6, 1962	do	2,760,000
New Jersey	Mar. 9, 1962	Severe storm, high tides and flooding	17,100,000
Maryland	do	do	1,300,000
Delaware	do	do	4,500,000
Virginia	do	do	3,500,000
West Virginia	do	Floods	400,000
Kentucky	Mar. 12, 1962	do	800,000
New York	Mar. 16, 1962	Severe storm, high tides, and flooding	3,500,000
North Carolina	do	do	650,000
Nebraska	May 10, 1962	Floods	340,000
Total			47,005,000

NOTE.—Of the above total, $20,000,000 was allocated after the close of the fiscal year. These funds could not be allocated until the supplemental appropriation was available.

DETERMINATION OF MINIMUM STATE EXPENDITURES

Senator ELLENDER. Who fixes that?

Mr. MCDERMOTT. That is fixed by agreement between the Office of Emergency Planning, the Bureau of the Budget, and other elements of the executive branch.

Senator ELLENDER. Is that on a yearly basis?

Mr. MCDERMOTT. It was developed in conjunction with a committee of the Governors' conference.

It is not on a yearly basis, but on a 3-year basis. It is up for review this fall.

There will be some changes made in the schedule this year, based on some changed situations in the States.

Senator ELLENDER. I suppose that is prompted by the fact that the Federal Government is called upon to render all sorts of help in all sorts of disasters and for purely local matters that could have been taken care of by the people themselves.

IMPROVEMENT IN DISASTER RELIEF ADMINISTRATION

Mr. MCDERMOTT. We, in the last year or at least since I have been in office, had to decline a number of those.

One other point I want to make here which I think is important and which works well is this.

There was a prior practice that when a disaster occurred the President did not act until all of the preliminary fieldwork was done, and he knew how much he was going to have to allocate from this fund.

PRESENT PRACTICE IN DISASTER AREAS

We have changed that procedure now and as soon as we determine that a particular disaster is going to qualify under Public Law 875,

we recommend to the President and he makes a declaration of natural disaster, without any funded allocation.

That permits these other Federal departments and agencies to get in and start doing their work, and we withhold the actual allocation from the President's fund until we have more accurate and reliable information on the amount that is going to be involved.

In the prior years what was happening to this account was that sometimes the President made an early allocation on the basis of a recommendation made to him, and when the smoke all cleared away, maybe only 30 or 35 percent of that money was used.

Well, that was poor fiscal management, and it complicated administration of the program.

Now we believe that under this new system we are going to reach 90 or 95 percent accuracy on the allocation and the amount actually expended.

UTILIZATION OF LOAN AGENCIES

Senator ELLENDER. Well, then, on the other hand, by following a procedure in which you could utilize the loaning agencies——

Mr. MCDERMOTT. Correct.

Senator ELLENDER (continuing). The Small Business Administration, for instance?

Mr. MCDERMOTT. Correct. The earlier we can get the Presidential action, without allocation, the more help is available to the States from the other Federal departments and agencies, and I think that is working very well.

Senator ELLENDER. And that is an order to let some of the local people bear the burden through legitimate loans, provided under the Small Business and other facilities?

Mr. MCDERMOTT. That is correct, as well as the Department of Agriculture and many other departments.

Senator ELLENDER. Yes.

Senator MAGNUSON. All right. Any questions?

FEDERAL CIVIL DEFENSE ACT OF 1950

Now, we are getting down to the nub of the reorganization. What are your responsibilities now under this act?

Mr. MCDERMOTT. We have no operating responsibilities in civil defense. That is, in the usual civil defense programs, as you understand them, and as the American public understands them.

We do, however, have the responsibility for the coordination of the Federal civil defense plan with the other activities of the departments and agencies in this whole emergency preparedness area, and we also have a substantial responsibility in emergency resource management, part of which responsibility derives from the broad language of the Federal Civil Defense Act.

I would like to say a word on that because it is, in a sense, a new and a difficult problem.

On this management of resources, during World War II and during the Korean war the needs of our domestic economy were met by a broad system of controls, over basic materials and wages and prices, that were administered by the Federal Government.

CHANGING NATURE OF THREAT

Now, the changing threat to which we are exposed, and that is nuclear missile warfare and other things, makes it possible, if there is to be an attack upon this country, the central leadership in the management of resources in an emergency would not be available.

To prepare for this part of the concept of these Executive orders it is the plan to develop a capability within the Government, not only at the national level but out in the field, to deal with this problem.

CAPABILITY AT STATE LEVEL

We also must, it seems to me, develop a capability at the State level for the Governors and for the State authorities to manage the resources and to stabilize the economies of their States in a postattack period, if there should be a disruption of Federal direction. We must assume that there would be a period of time, which we certainly hope would not occur but which is, nevertheless, possible, when the Federal Government could not fulfill its responsibilities.

So the new thinking in resource management and economic stabilization is to develop something which does not now exist, and that is the capability at the State and local level to deal with these problems that have traditionally been handled by the Federal Government.

I have a brief paper which I will submit for the record which explains that program in more detail.

Senator MAGNUSON. All right.

(The material referred to follows:)

COMPREHENSIVE PROGRAM FOR SURVIVAL OF GOVERNMENT AND MANAGEMENT OF RESOURCES

The Federal Government has historically exercised exclusive jurisdiction over the management of national resources in wartime. On the other hand, in the Federal Civil Defense Act of 1950, civil defense was described as the responsibility primarily of the several States and their political subdivisions. This approach was modified by the Congress in 1958 to recognize that the protection of life and property from attack is a joint responsibility of the National Government and the States and their political subdivisions.

The management of resources for national purposes in an emergency remains the responsibility of the Federal Government, but under the conditions of a nuclear attack it is clear that it may for a time be unable to discharge this responsibility effectively in many localities. For this reason, policy and plans are now based on a partnership between the National Government and State and local governments under which the latter will manage resources, particularly toward their conservation for national purposes, immediately upon an attack, wherever the National Government is unable for a period of time to act. Since the survival and recovery of governmental structures and resources are essential to each other, the approaches to both were combined into a comprehensive program.

Having determined the need for this basic approach, the National Government during the past year and a half has taken the following actions:

1. Published the "Comprehensive Program for Survival of Government and Management of Resources" to explain the concept to Federal agencies and to State and local governments.

2. Worked with representatives of civil defense and State and local governments and obtained unanimous pledges of support from the Governors of the 50 States.

3. Announced the program as national policy and conducted eight regional meetings to acquaint Government and business leadership with the fundamentals of the concept and with the need for State and local action.

4. Developed and distributed for use of State and local planners an "Organization and Planning Guide" containing detailed technical guidance for getting a State or local program underway.

5. Established a system under which Federal agencies will provide direct additional guidance and technical advice to States and localities as they get their programs underway.

6. Through the eight regional offices of OEP and the regional Civil and Defense Mobilization Committees, established a coordinating mechanism to assure that States and local governments are brought into contact with all of the Federal agencies having technical experience and know-how.

In addition to these actions by the National Government, progress can be reported by many of the States and localities which are getting their programs underway. Since the last conference conducted by OEP on April 7, 1962, the following progress has been reported by the States and their political subdivisions.

1. Emergency planning directors have been named in 45 States and in Puerto Rico and the Canal Zone.

2. Nineteen States have completed the naming of their emergency resources planning committees which will assist the State directors and seven of these have established their task groups. A total of 13 State programs are expected to be underway by December 31, 1962.

3. Some 57 geographical areas established within participating States will conduct similar studies to develop a capability for managing resources within the respective areas. Other States are in process of establishing them. A total of 25 geographic area programs are or will be in process by December 31, 1962.

Ten man-years are required to provide direction and support to the comprehensive program.

Progress report, by regions, July 26, 1962

Region	Number of States in region	Emergency Planning Director names	He is also Civil Defense Director	ERPC Committee organized	State task groups organized	State programs which are or will be underway by Dec. 31, 1962	Geographical areas established	Geographical areas which are or will be underway by Dec. 31, 1962
1	8	8	3	2	----------	----------	2	4
2	7	6	5	1	----------	----------	----------	----------
3	7	7	2	6	1	7	1	----------
4	5	5	2	----------	1	----------	26	11
5	5	3	2	2	----------	1	----------	2
6	8	6	4	2	----------	3	----------	----------
7	5	5	5	2	2	2	4	3
8	5	5	3	4	3	----------	24	5
Total	50	45	26	19	7	13	57	25

FUNCTIONS ASSIGNED TO DEPARTMENTS

Senator ELLENDER. Do not some departments assist in making this——

Mr. MCDERMOTT. Oh, yes. Under the present plan the President has issued nine Executive orders which have assigned these functions by Presidential order to the departments and agencies.

And I emphasize again that OEP is not an operating agency. We do not operate these programs.

It is being done by the in-being departments and agencies that have the greatest capability in the particular field.

Senator ELLENDER. The reason I asked is Senator Magnuson has

been trying to pursue the matter that each agency is asking for a separate sum in order to carry that operation out.

That is why I wanted to bring it out.

HOUSE ACTIONS ON DEPARTMENTS

Senator MAGNUSON. Yes, and what happened is that we used to have quite a hassle around here because they would have the agency do something and they would get the moneys and pay the agencies and we finally said that the agencies should come up themselves.

In connection with this I will place in the record a table taken from the Senate hearings on the Treasury-Post Office appropriations, 1963, setting forth the funding of emergency preparedness activities by agencies, and estimates set forth in the fiscal year 1963 budget.

(The table referred to follows:)

[Table from Senate hearings on Treasury and Post Office appropriations, 1963, p. 381]

Funding of emergency preparedness activities

[In thousands of dollars]

	Fiscal year 1962			Fiscal year 1963 budget estimate
	Appropriation	Appropriation transfers	Program funding [1]	
Office of Emergency Planning	86,550	−71,865	14,685	11,000
Office of Civilian Defense	207,600	+49,432	257,032	695,000
Department of Health, Education, and Welfare (medical stockpile)	13,000	+22,433	[2] 35,433	40,000
Department of Agriculture			(344)	305
Department of Commerce			(2,485)	2,801
Federal Aviation Agency			(121)	200
Department of Health, Education, and Welfare			(1,600)	2,106
Housing and Home Finance Agency			(161)	250
Department of the Interior			(429)	487
Department of Labor			(978)	1,285
Post Office Department			(11)	11
Veterans' Administration			(17)	17
Interstate Commerce Commission			(70)	175
Federal Communications Commission			(15)	68
Small Business Administration			(16)	42
Department of the Treasury			(67)	80
Total	307,150	0	307,150	753,827

[1] Figures in parens indicate funding supplied by OEP and OCD.
[2] Does not include comparative transfer of $314 thousand from OEP.

Senator MAGNUSON. And the House turned around and put it back on them again. So this is a matter that we will have to look at.

Senator ALLOTT. So that everything except for HEW and the medical stockpile——

Mr. MCDERMOTT. Correct, and we recommend the other procedure and, in fact, did not include this in our budget.

Senator MAGNUSON. All right. Now, let's go on here for just a little bit.

Mr. MCDERMOTT. I might, on that point, sir, mention that the staff has been advised that those agencies that are affected are here.

They each have a brief statement prepared and would be available if you would like to have them testify. Each has submitted a statement for the record.

Senator MAGNUSON. Well, we will talk to them in just a minute.

PLANNING CONTINUITY OF GOVERNMENT

Now, on page 7 of your report you say that you are responsible for the planning of continuity of Government?

Mr. MCDERMOTT. That is correct, sir. I would like to submit for the record an unclassified statement on continuity of Government.

CONTINUITY OF GOVERNMENT, FEDERAL LEVEL

Program

The continuity-of-Government program is designed to reduce the vulnerability of Government to attack, provide the necessary facilities, processes, and systems for coping with any emergency, and assure that our representative form of government may be reconstituted in the event of its disruption. This involves:

1. *Continuity of leadership.*—Lines of succession have been established by all Federal agencies but they are inadequate as to depth and geographical dispersal. Delegations of authority by heads of agencies to subordinate officials have generally been made but to an inadequate degree. Yet to be accomplished is the tieing of Cabinet level successors into the total command and control system; the establishment of stricter standards of adequacy for lines of succession, delegations of authority, and assurance of appropriate depth and dispersal; as well as effective implementation by departments and agencies.

2. *Emergency operating capability.*—(*a*) *Facilities:* Emergency operating sites have been established (93 for headquarters offices and 440 for field offices). Most of these have no protection against the effects of nuclear weapons; many of the headquarters sites are continuously activated but few to a meaningful degree. One protected regional center is under construction at Denton, Tex., region 5, and a second for region 1 has been approved by Congress.

During the past year the emergency facility program has been thoroughly reexamined in the light of the current military situation. During the coming year, adjustments in plans and concepts will be made toward a more effective and economical program.

(*b*) *Facility support programs:* Programs which support dispersed facilities have similarly been reviewed and improvements planned, particularly the emergency air transportation system and communications.

(*c*) Records: The program for the preservation of essential records is well advanced; however, the records reporting and evaluation system is to be improved and the program at the field level will be expanded.

(*d*) Response to warning: All agencies are in a position to receive and respond to emergency warning. Most major agencies have established single points of contact on a 24-hour basis, and have developed internal alerting systems.

Guidance, on an interim basis, has been provided all agencies on appropriate actions to take on warning.

During the coming year civil emergency actions will be closely integrated with those of the military. Under new planning concepts, a more positive state of readiness by all elements of Government will be achieved.

CONTINUITY OF GOVERNMENT, STATE AND LOCAL

Program

The State and local continuity-of-government program is designed to—

1. preserve leadership and authority.
2. preserve the structure of State and local civil government.
3. strengthen government's capacity for emergency operations.

To attain these objectives, legislation is needed in every State; ordinances are required in every locality. Each of the 50 States requires an amendment to its constitution before all of the necessary authority is available to its legislature. To facilitate such action, OEP and the Council of State Governments have prepared a sample constitutional amendment and six suggested acts.

Accomplishments

	Number of States approving
Proposed constitutional amendment approved by legislatures	[1] 34
Chief executive succession	30
Other executive succession	23
Legislative succession	21
Judicial succession	16
Local succession	26
State relocation	28
Local relocation	26
Records preservation and management	7
Total State legislative approvals	211

[1] 22 of these 34 have been ratified by the voters.

The 1963 plans

1. Encourage the States which have not already adopted the suggested constitutional and legislative measures to do so.
2. Encourage States to prepare plans for operating in an emergency. This will tie directly into the comprehensive program.
3. Work with county and city officials on local ordinances.

The total continuity-of-government program requires 25 people.

AUTOMATIC LINES OF SUCCESSION OF KEY OFFICIALS

Senator MAGNUSON. And that involves the provision of automatic lines of succession for key officials, the preservation and management of essential records, provision of emergency operating centers in less vulnerable locations than the Nation's Capital, and so on and so forth, and you would like to discuss that in executive session?

Mr. MCDERMOTT. That is a matter——

Senator MAGNUSON. All right. Is that agreeable with the committee, that part of it?

I think you covered most——

Mr. MCDERMOTT. I would like to make a little comment on the size of the agency, if you have any question about it.

RESTORATION REQUEST

Senator MAGNUSON. I was going to come to your specific request. You make this request to the Senate committee.

You ask—this is on page 5, members of the committee—that the original amount of $8 million be restored.

Mr. MCDERMOTT. $8 million, sir.

Senator MAGNUSON. $8 million.

EFFECT OF FAILURE OF REQUEST

And then you go on to say that the reduction of this amount to $4 million would eliminate the modest but vitally needed program of research and development, and you say it would seriously impair the ability to discharge the responsibilities that we have just been talking about.

Mr. MCDERMOTT. That is right. It would mean——

Senator MAGNUSON. Do you have anything more to add to that?

SIZE OF AGENCY

Mr. McDermott. No, we are down now—I have pared this agency down—I intend by November to have a total national and regional field office complement of 450 people, which is a reduction from 1,800 or 1,900 that were in OCDM.

Senator Magnuson. Well, let's not use that as an example.

Mr. McDermott. No, you are correct. My efforts have been directed of reducing OEP from 551 to 450.

Senator Ellender. They have more work, though.

Mr. McDermott. No question about it. We will reduce about a hundred in personnel.

Senator Ellender. You mean in work that you are doing?

Mr. McDermott. On our current responsibilities. We are getting down to about 450 people for our total responsibilities.

Senator Ellender. It sounds like you were overloaded to begin with.

Mr. McDermott. We have been able to reduce by 100. But I think we are at the minimum that we need and, of course, the action of the House would require a further reduction of about 50 percent of our personnel and would very seriously impair our emergency preparedness efforts.

CLARIFICATION OF HOUSE ACTION

Mr. Rice. May I clarify something?

The House report indicated a reduction from $11 million to $9 million. The $11 million we requested was strictly for financing OEP and the programs for which it is responsible.

The $9 million allowed by the House included the $5 million for the delegate agencies.

So as a practical matter, OEP in its request, was cut by the House from $11 million to $4 million.

Mr. McDermott. We did not ask for that $5 million that is now included in the $9 million in the House bill.

Senator Magnuson. All right. No. 2, you ask that language be restored permitting 1 million, under "Salaries and expenses" to remain available for studies and research.

Is that included in the eight?

Mr. McDermott. That is included in the eight, sir.

Senator Magnuson. All right.

Research and Development

Mr. McDermott. And we have a very limited research program.

Our research program in OEP is to monitor and avail ourselves of all of the research being done by DOD and other departments and agencies that relates to our problems.

However, there is a minimum amount of research that is not being done elsewhere, and we are asking for new funds there so they will be——

Senator Magnuson. You want to use part of your funds——

Mr. McDermott. Correct, we ask the right to use a million and a half.

Senator MAGNUSON. Well, what kind of a research do you do that you could not find in the departments?

NEW PROBLEMS

Mr. MCDERMOTT. Well, as the threat changes there are many new problems that arise; for example, the economic impact, the resource management, and economic stabilization impact of a nuclear attack upon this country, from the standpoint of our economy, has not been studied and is not being studied by the Department of Defense, for example. They look at it from the military standpoint.

Senator ALLOTT. The Office of Civil Defense group has been in here year after year and said that they were doing this.

Mr. MCDERMOTT. Well, they were while that was part of OCDM, but bear in mind, with the separation of these functions in the last year, that the Office of Civil Defense in the Department of Defense is continuing the research that is oriented to its program, but there is a void in this recovery and rehabilitation planning area that civil defense does not cover.

I emphasize that our research program is very modest compared with the civil defense program.

AUTHORITY TO USE FUNDS

And all we are asking is authority to have some of this salary and expense money available for that research when it becomes necessary, and if the research is not available elsewhere in the Government and it is more economic to have it done outside than to add to our staff to get it done.

Senator MAGNUSON. But if we should decide that you do not need to do this research, we should cut the 8 million by 1½ million.

Mr. MCDERMOTT. That is right, sir.

Senator MAGNUSON. Senator Ellender, do you have any questions?

Mr. MCDERMOTT. I would like to submit for the record my statement on that, which supports the kind of research unique to OEP and not available elsewhere.

(The information referred to follows:)

IN SUPPORT OF RESEARCH AND DEVELOPMENT FUNDS, OFFICE OF EMERGENCY PLANNING, FISCAL YEAR 1963

One of the basic responsibilities of OEP is to develop plans for the preservation of government and the mobilization of the economy during limited war or post nuclear attack. Realistic plans must be based on detailed and accurate knowledge of the effect of various degrees of war and nuclear attack on the economic resources of the Nation. Sophisticated analyses of our resources against probable damage patterns as well as the ability of our governmental and economic systems to perform under stress, require a substantial research effort. In the past, research was devoted primarily to civil defense/shelter design.

An important part of OEP's R. & D. effort is devoted to strengthening a national resource evaluation program. The National Resource Evaluation Center (NREC) is in a protected facility outside of Washington. NREC, using electronic computer techniques, makes estimates of casualties and resource damage and estimates of the condition of surviving resources under a broad spectrum of attack and other assumptions. NREC also makes estimates of requirements versus supplies; and it is now developing a capability to rapidly formulate production goals and programs that are consistent with stated priorities and at the same time are within the limits of available resources and manpower. Also

it is developing sophisticated analytical tools for analyzing the effects on the mobilization base of any proposed Government programs or changes in the economy. NREC provides estimates of the effects of hypothetical attacks on the U.S. economy for use by the National Security Council, the Department of Defense, and by other departments and agencies as well as by OEP. Consequently, our total defense posture is improved, and the estimates developed would be vital to survival and recovery operations in case of attack. To be of maximum service to other Federal agencies and to OEP, advanced computer and mathematical techniques have to be developed to handle the unending number of variables.

The Office of Emergency Planning depends, for the most part, on research and development sponsored by other agencies of the Federal Government. The small research office in OEP monitors all research that has an actual or potential bearing on OEP work. Research results are interpreted and presented in terms which are meaningful to those in OEP who are solving basic national security and nonmilitary defense problems and developing policies and programs for the maximum national preparedness.

There are, however, problems which require research and study which is not done in any other agency. These are problems which are vital to the national preparedness, and the failure to study and resolve them could mean the difference between the Nation's postattack recovery and its elimination as a first-rate economic power. The problems which require specialized skills and expertise outside the agency are illustrated by the following:

An examination in depth of the probable effects on manufacturing facilities, technical skills, transportation, energy sources, monetary systems, civilian versus military needs, communications, etc., of various plans and actions to preserve and restore the economy under a spectrum of nuclear attacks (ranging from limited to maximum destruction).

An analysis of the structure of the economy to determine the conditions and capabilities that would exist under a broad spectrum of emergency conditions. Such analysis would emphasize the interrelationships of all facets of the economy.

Economic analyses of imports in all of the related factors which affect specific industries such as textiles and apparel industries.

A study of the many possibilities for economic countermeasures for defense to identify the possibilities for success under varying conditions and to provide estimates of the costs of various countermeasures.

The development of computer techniques which will make instantaneously available the data upon which to base allocations of radio frequency channels to the various Government agencies. This will materially shorten the present manual procedures.

Analyses of local ordinances, governmental staffing, techniques, methods, and financing as they affect a State or local government's ability to preserve itself and reconstitute its authority postattack—pointing toward model laws or ordinances, staffing, lines of succession, records preservation, etc.

It could be argued that the agency should perform its own research of the type enumerated above. Each project is evaluated in this light before a decision is reached to contract for the work outside the agency.

As a general criterion, research is contracted out only when this is found to be the most economical means of getting the job done. In general, contract research requires special experience and expertise which a small agency like OEP cannot staff for permanently or on a short-term basis for each project. Further, the small OEP staff has a full-time job in taking the results of research, intelligence, international and national conditions, military and nonmilitary factors, etc., and applying them to the solution of basic national preparedness problems, developing national preparedness policies and designing specific programs to meet this Nation's nonmilitary defense needs. In addition, the OEP staff is involved on a daily basis with such continuing responsibilities as natural disaster, coordination of various executive branch departments in the total nonmilitary defense program, perfecting the ongoing programs, etc. All of these programs require an input of new ideas, concepts, thoughts, etc.; for example, a study of public reactions to the many Government actions that were taken in a disaster such as Hurricane Carla. This research will provide us with guides to improve the program, services, and effectiveness of assistance to State and local governments.

Most of the above studies attempt to relate the effect of various forms of conflict from limited war to nuclear attack upon the present structure of our

economy. It is also necessary to reverse the procedure. We need to develop a dynamic working model that predicts what effect alternative economic policies will have under each form of enemy conflict. In this connection, national policies on stockpiles are of prime importance, but systematic attention also must be given to those national policies and programs which influence international trade, economic growth, economic stability, industrial centralization, or dispersal, etc., and the effect of these policies on our strategic position.

To monitor and interpret research being performed elsewhere, to supervise research being performed under OEP contract, and to administer the national resources evaluation program, 20 people are required under the "Salaries and expenses" appropriation.

POSTATTACK PLANNING

Senator MAGNUSON. Any questions on the part of the committee? I guess not.

No. 3, you ask that the sum of $3 million be restored for State and local studies and research under the heading "Postattack planning."

Mr. MCDERMOTT. Correct.

Senator MAGNUSON. Is that in addition to the eight?

Mr. MCDERMOTT. Yes, the 8 and the 3 make it 11.

Senator MAGNUSON. What did the House give you on that?

Mr. MCDERMOTT. They eliminated that. Now, I would like to submit for the record a paper on this program.

(The material referred to follows:)

POSTATTACK PLANNING PROGRAM ($3 MILLION)

The Office of Emergency Planning has been assigned the overall responsibility for the national planning in the areas of stabilization of the economy and management of resources. Federal plans have been developed to carry out these functions, but nuclear attack on this country might be so devastating that some period of time may exist before Federal plans could be implemented and Federal management of the economy and national resources applied. During such an interim period we must rely on the States and local governments to use their authorities to exercise this management in the national interest.

To assist the States and local governments in preparing for this task, we have developed a comprehensive program for the survival of government and for the management of resources, together with an organization and planning guide, and have instituted a series of conferences at which these activities are being explained to the officials of State and local governments.

The concept of preparing State and local governments to use their authority to carry out the Federal responsibility of managing resources in the national interest is new. This concept has been brought about by the increased capabilities of our possible enemy to deliver greater numbers of megaton yield weapons upon this country.

The States and local geographic areas, in previous planning, have only considered the necessity of managing their own resources for the immediate survival operations. They have not considered the problem of conserving resources in the national interest so vital to this Nation's rehabilitation. In its 11th annual report the Joint Committee on Defense Production pointed out:

"Mobilization for general war involving a nuclear attack is so broad in scope that each department and agency of the Federal Government and each State and locality has responsibilties which are so vast as to involve many unanswered questions. The achievement of preparedness for such an emergency will be highly dependent upon the development of mobilization plans followed by such action programs as will provide the means to retaliate against enemy forces, provide warning and protection for the population, and the means for rehabilitation."

Since the Federal Government is asking the States to perform this task in the interim period, we propose to support the States and local areas' development of emergency resource management plans consistent with policies, plans, and procedures of the Federal Government. This support will include: Funds for staff salaries, travel, telephone communications, and printing; technical assistance, guidance, and program coordination. The States would agree to pay the full

salary of an Emergency Planning Director and provide technical and other administrative support necessary to carry out the program.

We have received assurances that organizations and individuals in the private sector of the economy will contribute time and effort to this planning. It is estimated that the private sector contribution amounted to 60 percent of the total cost of a pilot program completed last year in Sonoma County, Calif.

We and the States will make use of all data previously collected under FCDA and OCDM programs, plus data presently available in the States and local areas.

We will require that State and local plans be consistent with Federal policies, plans, and procedures, so that Federal management can be assumed without delay. Also, to assure proper use of Federal funds, the States and local areas will be required to follow standards and procedures set forth in an "Administrative Manual for the Development of State and Local Emergency Resource Management Plans," already developed by OEP.

We will solicit proposals from the States and will consider those meeting OEP requirements in the order received. We will concentrate on approximately 15 States and 30 local areas in the first year. We will expand the program as rapidly as possible to cover all the States and as many local areas as possible within the funds available. This program will not continue beyond the development of plans for all States and those local areas OEP determines necessary in the national interest. A 3-year program is planned.

In addition to providing funds for salaries, travel, telephone communications, and printing, the Federal Government will provide technical support and specific planning assumptions to each State and local area.

Funds will be allocated to the States based on population, with an adjusted minimum of $35,000 and maximum of $116,700 for States more sparsely populated. The $3 million requested this year will be allocated to the States within maximums and minimums on a scale in the order their proposals are received, not to exceed the overall limit. We expect to receive proposals from approximately 15 States and 30 local areas during fiscal year 1963. This is based on our estimate of the number of States and areas which will meet the requirements set forth in the manual, a prerequisite to submission of proposals. We will expand the program as rapidly as possible within moneys made available.

STATE PARTICIPATION IN POSTATTACK PLANNING

Mr. McDermott. Briefly, what is behind it is this:

Going back to an earlier statement that I made about the necessity of developing a capability at State and local levels to deal with the problems of resource management, allocation and economic stabilization, in a postnuclear attack where the Federal direction may be disrupted, if we are going to develop that capability it is up to the States to perform a traditionally Federal function.

We have met with the Governors and have done a lot of preliminary work in this area, and the States are ready to go ahead.

Leadership from the private sector is volunteering its help at this time at the State and local level, but we must support to a limited degree this activity by the States. There will be a substantial contribution by the States.

We would expect that the Federal contribution to this would be something in the area of 20 percent of the total cost. We have developed a detailed manual and guides on this program which we will submit to the committee for review which will explain the full details.

REGIONAL OFFICE ACTIVITIES AND PERSONNEL

Senator Magnuson. Does this involve the activities of your field people?

Mr. McDermott. It does to a degree.

Senator Magnuson. How many people do you have in the field that will participate in this program with the States?

Mr. McDERMOTT. We have a total personnel in the field of 107.

Senator MAGNUSON. Is this included in your 450?

Mr. McDERMOTT. The 450? Yes.

Senator MAGNUSON. And these are the people that are so-called regional directors——

Mr. McDERMOTT. And their staffs.

Senator MAGNUSON. And their staffs that work with the States?

Mr. McDERMOTT. Correct. Now, what we have done in the regional offices is we have reduced the size of those staffs slightly to get us within this 450 personnel.

We have converted our regional office personnel from specialists, or are in the process of doing it, from specialists to generalists.

We are training our regional office people to be knowledgeable across the board in all of the problems for which OEP is responsible in the field.

As an improved service to the States rather than having seven or eight different people from the OEP regional office dealing with the Governors and making personal decisions, we are going to have one man from the regional office assigned to a particular State who will cover all programs across the board, natural disaster, resource management, economic stabilization, continuity of government, and so on.

We have very small regional staffs, ranging from 9 to 13 people. I would like to insert for the record a statement supporting the need for our regional offices.

(The statement referred to follows:)

JUSTIFICATION FOR OEP REGIONAL ORGANIZATION

In discharging its responsibility for resources mobilization planning and continuity of Government ODM concentrated on the Federal level, ODM's principal efforts at the field level were aimed at establishing relocation sites for agency field establishments and participation in the annual exercises (Operation Alerts). Because of the limited field activity, ODM carried out its limited field responsibilities through a regional mobilization committee which consisted of various resource agencies. The committee was chaired by a coordinator designated by ODM from one of the participating agencies.

The lack of substantive field activity by ODM was due to the status of mobilization planning at the national level and the prevailing concept of Federal responsibility during an emergency. In the first instance, basic national policies and plans were still in the developmental stages requiring the closest coordination with the other Federal departments and agencies principally at the national level. Implementation at the field level was dependent upon their further development and refinement. In the second instance, mobilization planning was proceeding on the basis that the Federal Government would manage and control the economy and all resources during and after an emergency. Consequently, no preattack or postattack mobilization responsibilities were assigned to State and local governments. Their primary concern was civil defense. Hence, the lack of sufficient reasons for an ODM regional organization.

OEP's responsibilities and current national preparedness policies and concepts are significantly different and require a regional organization to carry them out. Specifically:

1. The national plan for civil defense and defense mobilization not only spelled out basic nonmilitary defense policies but assigned mobilization responsibilities to the Federal Government and to State and local governments. This represented a major change in the previous concept. The issuance of the 15 emergency preparedness orders, the subsequent issuance of superseding Executive orders began to bring the full resources of the Federal Government to bear upon the problems of nonmilitary defense. OEP regional offices assure that adequate plans and programs are developed by the Federal field establishments and are properly coordinated with each other.

2. With the State and local governments now having postattack responsibilities for the economy and resources, on the spot, guidance and assistance by OEP is required in the development of plans and programs and organizations. The OEP regional offices must work not only with the State and local governments but with Federal agencies to make certain that the Federal plans are properly integrated and coordinated with those of the State and local governments.

3. The regional offices represent, in the field, the many programs and responsibilities of OEP. Specifically they work with State and local officials in getting emergency planning legislation and ordinances, planning relocation sites, testing emergency plans, training State and local staffs, etc. Another important responsibility is the administration of the Natural Disaster Act, Public Law 875. During disasters the regional offices provide the information upon which the Director, OEP, bases his recommendations to the President for the declaration of major disasters. Regional offices coordinate the activities of the various Federal agencies who provide assistance to stricken communities. The review requests from the States for financial assistance for specific projects.

The specific accomplishments in the regions that are enumerated under each of the OEP programs are a total reflection of the accomplishments and success of the OEP regional offices.

The regional organization requires a total of 93 people supported by the "Salaries and expenses" appropriation.

SENATE POLICY

Senator MAGNUSON. Now, would you say that this program is carrying out the policy that the Senate, on five or six occasions, I believe, have had full discussions on and votes on, and that is on the principle of turning most of this actual work in civil defense back to the local people?

GOVERNORS' SUPPORT OF POSTATTACK PLANNING

Mr. MCDERMOTT. The analogy would be accurate although I emphasize again this is not civil defense in its traditional sense. This is recovery or rehabilitation planning.

Senator MAGNUSON. Well, which is part of the picture?

Mr. MCDERMOTT. Which is part of the picture, correct.

Senator MAGNUSON. And do you——

Mr. MCDERMOTT. Now, we find, encouragingly, that while the States have done very little, or hardly anything in this area up to the present time, that the Governors are very interested in it.

The Governors are aware that should there be an attack upon this country, and a substantial disruption here in Washington, that they are going to have a whole bag of problems that are presently unfamiliar to them in the administration of their responsibilities as Governors, such as the management of resources and the stabilization of the economy, and if we do not create that or assist in creating that capability at the State level, what we are fighting to save could very well be lost, and chaos could follow in a few weeks.

Senator MAGNUSON. All right. Any questions?

ASSISTANCE TO STATES

Senator ELLENDER. Are there any funds being asked for in order to assist the States, as in the case of last year or the year before?

Mr. MCDERMOTT. The $3 million, sir, is for that purpose under a set of guidelines which has been fully developed and which will be submitted to the staff.

Senator ELLENDER. Will these people be hired by you?

Mr. MCDERMOTT. No, they will be hired by the State under their merit system.

Senator ELLENDER. I see. So that it is almost the same thing except that you do not cover as much territory as you did before?

Mr. MCDERMOTT. Correct. This is part of a 3-year program, and we are asking for no-year funds.

So it is all detailed in this written submission that is being made to you, and I would ask that the staff and committee carefully consider it.

FUNDS FOR SALARIES OF STAFF

Senator MAGNUSON. Is part of the $3 million to be used to pay part of the salaries of the State employees?

Mr. MCDERMOTT. Correct.

Senator MAGNUSON. But part of it is also to pay your employees?

Mr. MCDERMOTT. No, sir.

Our personnel, our regional office personnel, will be paid out of our regular "Salaries and expenses"——

Senator MAGNUSON. That is what I mean. You have regular employees——

Mr. MCDERMOTT. Correct.

Senator MAGNUSON. The hundred and something that you mentioned, but the State also has employees and part of this money will be used to pay part of their salaries?

Mr. MCDERMOTT. Sir, this is a program that has not yet been developed.

This is not an on-going thing. This is a new effort.

Senator ELLENDER. Your part will be paid out of the $8 million?

Mr. MCDERMOTT. Correct.

Senator ELLENDER. And the $3 million will be used to assist the States in paying——

Mr. MCDERMOTT. Correct.

Senator MAGNUSON. Oh, I see.

Mr. MCDERMOTT. You are correct, Senator.

Senator MAGNUSON. Your people are covered in your "Salaries and expenses," the $4 million that the House gave you and the $8 million that you are asking for.

This is a separate——

PILOT STUDIES OF POSTATTACK PLANNING

Mr. MCDERMOTT. On the basis of a couple of pilot studies that we have had made in Sonoma County, Calif., and elsewhere, State participation and the volunteer effort of the private sector leadership in this type of planning has contributed 80 percent of the cost.

In other words, the Federal Government would be supporting about 20 percent of the total cost of this activity at the State level.

I think it is a bargain in terms of developing this capability and in getting the States ready to carry out what is otherwise——

Senator ELLENDER. What was the percentage before you reduced it as much as you have?

Mr. MCDERMOTT. Well, we have no experience with this, Senator Ellender, on which I could give you a reasonable answer.

Senator ELLENDER. No, no, I mean in respect to the demands or the requests that were made in prior years.

I am sure that the amount that you asked for, in order to contribute to the States for this contribution is much more than $3 million.

Mr. MCDERMOTT. That was in the civil defense budget.

Senator ELLENDER. But on the same principle?

LOCAL GROUPS BEST QUALIFIED FOR RECOVERY PLANNING

Mr. MCDERMOTT. Yes, but different in this respect, in terms of developing a rehabilitation and recovery plan for a particular State, because of the geographical and economical differences and many other differences that distinguish one State from the other, we find that it is State government and private sector leadership that are best qualified to do this kind of planning, your transportation specialists, your utility people, and so forth.

Now, unlike civil defense programs where under your matching program there you pay part of everybody's salary, in this program, as our submission will indicate, we pay only a limited number of administrative people and the bulk of the talent is volunteered from the private sector within the States.

Senator ELLENDER. Well, I wish other departments of Government had the idea that the local people could do a better job than the Federal people.

I am glad you admit that.

GOVERNOR'S CONFERENCE ENDORSEMENT OF PROGRAM

Mr. MCDERMOTT. We are very encouraged at the response to this, and I think that people do demonstrate a willingness to participate.

This was the subject of a considerable discussion at the Governors' Conference in Hershey early last month, and the Governors, in a resolution, heartily endorsed this program and that will be submitted to you for the record.

And I must say that all 50 Governors, without a single objection, are cooperating fully.

(The information referred to follows:)

EXCERPTS FROM REPORT AND RESOLUTION OF GOVERNERS' CONFERENCE ADOPTED AT HERSHEY, PA., JULY 1–4, 1962

The following excerpt is from page 5 of the report of the committee on civil defense.

"* * * there is now evidence of far more vigorous and effective Federal action in the fields of both civil defense and postattack recovery than has been the case for many years past. In view of all the foregoing considerations, it is our belief that the 1962 Governors' conference should urge all States to realine or reorient their own internal organization as necessary to insure a maximum of coordination and support for both the Office of Emergency Planning and the civil defense elements of the Department of Defense in the development and implementation of their respective action programs. Your committee plans to keep this matter under continuing review over the coming months and to offer additional comments and recommendations at the 1963 Governors' conference.

One section of the resolution provides that each State should:

"(*k*) Cooperate with the Federal Government in a program of studies, research and general education in the area of postattack recovery and rehabilitation measures and procedures * * *."

Other sections provide:

"4. *Further resolved*, That the committee on civil defense undertake a study of the problems of recovery and rehabilitation following a nuclear attack and report to the 1963 Governors' conference as to the feasible steps which might be taken by all levels of government in cooperation with private institutions to strengthen our capacity as a nation not only to survive but to recover with all possible speed from any nuclear attack against us; and

"5. *Further resolved*, That the name of the "Committee on Civil Defense" of the Governors' conference be changed henceforth to "Committee on Civil Defense and Postattack Recovery."

EXPERIENCE BASED ON PILOT STUDIES

Senator ALLOTT. Mr. Chairman, I want to get this clear: First, you have no experience upon which to base this program to date?

Mr. MCDERMOTT. Other than some pilot studies that have been run, for example, in Sonoma County, Calif.

Second, a virtually year-long series of discussions and staff work and conferences with the Governors in the development of this.

Senator ALLOTT. Where is Sonoma?

Mr. MCDERMOTT. In California.

Senator MAGNUSON. Back of San Francisco. It's a nice place to conduct studies.

Mr. MCDERMOTT. I have never been there, sir.

STATES COMMITTED TO MATCHING PROGRAM

Senator ALLOTT. All right. What States do you have that are already committed or committed by law to have authority to match your program, because this would involve the States putting up $15 million on the basis of what you suggest as 20 percent.

Mr. MCDERMOTT. Not exactly, sir, because under this program as we are proposing it, we would support certain administrative staff costs at the State level.

The bulk of the work, the planning work, is being done or would be done not by Government people but by private sector people, by the representatives of transportation and public utilities and so on.

And we have found that so far they are willing to volunteer their time, and the industries and the businesses that they represent are willing to make their time available for that purpose.

Senator ALLOTT. You are going to appoint administrators up to the extent of about 20 percent of the total——

Mr. MCDERMOTT. The Governors would. The Governors would under the particular State's merit system. There would be certain limited staff support for which we would reimburse the State under a contract, the details of which are in the written submission that we are making to the committee and your staff.

BASIS OF PROGRAM

Senator ALLOTT. And what you are going primarily on now is your pilot plan study in this very pleasant place that the chairman speaks of, and also the resolution of the Governors' conference, and this is what we are building this program on at the present time?

Mr. MCDERMOTT. No, sir; it is considerably more than that.

Of course, I must say this, in all fairness, that we have not moved as far as I would like to in this because there is no point in getting a lot

of activity agitated at the State level if you are not going to be able to carry it through.

However, this program has been discussed personally with each Governor. It has the uniform support of the 50 Governors.

APPOINTMENT OF EMERGENCY PLANNING DIRECTOR

Some 45 Governors have already appointed emergency planning directors who would supervise this.

Senator ALLOTT. Forty-five?

Mr. MCDERMOTT. Forty-five, many of these people are volunteers. Some of them come from the private sectors. Some of them come from the governmental sector, but 45 States have made those appointments.

Others—it may be 46 today or tomorrow, but I feel that within the next few months all 50 States will, and when you say there is nothing on which to base it you are correct in that we have no experience or we had no experience last year, but I feel that the studies that we have made indicate that this is going to work, and it is going to be much cheaper than the Federal Government doing this job itself or attempting to do the job itself by putting Federal people in the individual States to develop these plans and programs.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

Senator MAGNUSON. All right; now we get into page 6, No. 4.

Senator ALLOTT. Well, let me ask this——

Senator MAGNUSON. Oh, excuse me.

Senator ALLOTT. There is one aspect about this on which I have not quite finished.

Senator Saltonstall spoke about this, and he is a member of this committee——

Mr. MCDERMOTT. Yes, sir.

Senator ALLOTT. And he is very interested in getting this back to the local level. I am inclined to be sympathetic to that.

Now, in view of the fact that before you get this money 2 months of the year are going to be passed, and if legislation is necessary it is going to be February of next year before any of the Governors could really act on this thing, are you going to be able to utilize all of the $3 million?

ENABLING LEGISLATION NOT REQUIRED

Mr. MCDERMOTT. Well, first of all, sir, no Federal enabling legislation is necessary.

Senator ALLOTT. No; I am speaking about the States.

Mr. MCDERMOTT. And the Governors tell me that no State legislation is required, that they can do this under their existing powers and authority.

There is no State that has indicated that any legislative action is necessary for them to proceed with this.

That has been checked out with——

Senator ALLOTT. Now, I just cannot quite go along with this.

If a Governor has to get money in order to bolster a part of this—unless some of them happen to have some in an emergency fund, are they not going to have to go to their State legislatures?

Mr. McDermott. Well, there are emergency funds and also the State people participating are the people who have other responsibilities in State government and, as a matter of executive assignment, devote some of their attention to this problem which they have not done in the past.

Now, we explored this with Governor Rockefeller and his committee, which is the committee of the Governors' conference that has general jurisdiction in this area, and it is their feeling that the States can fulfill their obligation without enabling legislation.

DELAY IN PROGRAM

The problem of the 2 months is this: I feel it would be ill advised for us to go any further with this program until we know what the Federal attitude toward it is going to be.

I regret, of course, the delay, but I would prefer not to move further with the program until we see what action is going to be taken.

Senator Allott. But you have done away with one-sixth of the year?

Mr. McDermott. That is right, sir.

Senator Allott. Now, is the $3 million all going to be necessary?

REQUEST FOR NO-YEAR FUNDS

Mr. McDermott. We are asking for no-year funds. There is no way for us to predict the extent to which the States will be able to respond to this.

Our best estimate is, and again this is a matter of consultation with the Governors, but our best estimate is $3 million, but if you will notice in our appropriation we are expressly asking for no-year funds so that if the States are not ready in this 10-month year to proceed we will not disburse all of those funds.

And we will make an accounting to this committee and to other committees as to the use of those funds on subsequent occasions.

Senator Allott. In your statement you say it would be run for 3 years only.

Mr. McDermott. Well, we feel that because of the varying degrees of readiness that exist in the States and because the attitudes existing in the States vary slightly, I think realistically it would take 3 years for all States to have completed this work.

We have to have some goal, and we have selected a 3-year goal as a realistic one.

But once this thing is done, then it is done for the future.

Senator Allott. That is all.

Senator Magnuson. All right. We will proceed quickly then if there are no further questions to page 6.

CIVIL DEFENSE AND DEFENSE MOBILIZATION

We get down to the item, item No. 4, concerning this $5 million which you asked for civil defense and defense mobilization functions of Federal agencies, or, rather, you have asked that it be increased to $6,876,000.

Now, you also——

Mr. McDermott. Now, sir, let me correct the record there.
Senator Magnuson. That is what it says.

INCREASE REQUESTED

Mr. McDermott. No, we ask that the sum of $5 million for civil defense and defense mobilization functions of the Federal agencies, which was included in the House bill, be increased to the requested amount of $6,876,000, but this goes back to something that we talked about earlier.

We didn't ask for the $6,876,000 initially. That was asked for by the departments and agencies who had received these assignments by Executive order.

The House action gave us the——

Senator Magnuson. $5 million?

Mr. McDermott (continuing). $5 million for that purpose, which we did not ask for.

Senator Magnuson. Sir, if we want to follow your recommendations we will cut this out.

Mr. McDermott. Well, either/or. If you are going to follow the House and say that we should have this money and disburse it——

Senator Magnuson. Then we should——

Mr. McDermott (continuing). Then it should be the total amount of the request, the combined request, of these agencies and they are here to support their individual requests, and I will not speak for them.

Senator Magnuson. But if we desire to go the other way, we do not appropriate anything?

Mr. McDermott. To us, you would not, but you would include it in the appropriations to the departments and agencies if that is still possible.

Senator Ellender. To the amount of $6,876,000?

Mr. McDermott. That is correct.

Senator Magnuson. This off the record.

(Discussion off the record.)

SUMMARY OF 1962 OBLIGATIONS

Senator Allott. I have before me a summary of these obligations submitted last year——

Senator Magnuson. Let's take them up separately.

Senator Allott. Yes, but why do we not put this memorandum in the record?

Mr. McDermott. That would be agreeable.

Senator Allott. They show what they did last year.

Commerce has $2½ million in here, and they want $2.8 million this year, and it is going to be pretty difficult to justify.

We have been through this many times.

Senator Magnuson. Here is——

Mr. McDermott. Yes, sir.

Senator Allott. And I feel that these——

Mr. McDermott. We will submit that for the record.

(The information referred to follows:)

Summary of obligations by activity

	1962	1963 estimate	House action
Civil defense and defense mobilization functions of Federal agencies:			
Agriculture	$653,645	$755,000	
Commerce	2,485,282	2,800,700	
FAA	121,000	200,000	
FCC	15,300	67,509	
HEW	627,500	706,500	
HHFA	160,875	250,000	
Interior	429,100	486,500	
ICC	70,000	175,000	
Labor	978,348	1,285,000	
Post Office	11,000	11,000	
Treasury	67,363	80,000	
SBA	16,200	42,000	
VA	16,700	17,000	
Total	[1] 5,652,313	6,876,209	$5,000,000
Civil defense medical stockpile activities (emergency health services, HEW)[2]	36,765,000	41,445,000	5,500,000
Grand total	42,417,313	48,321,209	10,500,000

[1] The 1962 appropriation for civil defense and defense mobilization functions of Federal agencies was $5,000,000. However, additional funds were provided by OCD.
[2] This appropriation is being appealed separately by DHEW.

JUSTIFICATION OF AGENCY REQUESTS

Senator MAGNUSON. We will take these up later.

Senator ALLOTT. Just this part in the record is what I want.

Mr. RICE. Each of the subsequent pages justify the requests of each of the agencies.

Mr. MCDERMOTT. Yes, and they are going to do that individually.

Senator MAGNUSON. They are going to do that individually?

Now if you will, gentlemen, permit us, these gentlemen are here now and they both have short statements.

Mr. MCDERMOTT. Thank you very much.

Senator MAGNUSON. Thank you very much for appearing.

(Statements on the civil defense and defense mobilization functions of Federal agencies follow:)

STATEMENT OF ROBERT S. REED, SPECIAL ASSISTANT TO THE SECRETARY OF AGRICULTURE

Mr. Chairman and members of the committee, my purpose in being here is to give you a brief explanation of the plans of the Department of Agriculture for use of the funds for civil defense planning included in the USDA budget for 1963. The $755,000 included in the budget estimate for 1963 provides for a slight increase and some change in emphasis in our defense activities. The budget items being discussed here are largely to replace funds formerly allocated to Agriculture from OCDM and its successor agencies.

During the last year, the Secretary has completely realined defense planning work within Agriculture to give added impetus to the program. This was done to carry out Executive orders assigning the Department added responsibilities and to improve our readniess. In part, this increased work was made possible by the transfer of funds from Office of Emergency Planning and Department of Defense. A great share of the added emphasis, particularly by the newly established USDA State and county defense boards, was by people in the Department with other full-time assignments.

As you are aware, giving increased responsibilities for a defense program to Department people who already have a full-time assignment creates problems. But I can report that these people have found time to do an excellent job in developing a capability to carry out Agriculture's emergency responsibilities. In some States, however, the full job of organizing and developing the capability

needed to meet emergency responsibilities cannot be carried out with the present arrangements. The same is true with that part of the Department charged with working with industry to assure their undertanding of our plans and their developing their own capability to service and operate under an attack on this country.

The Secretary, late in 1961, named me to coordinate the defense work of all agencies within the Department. My Assistant and I with our secretaries constitute the entire defense coordinating staff. We also coordinate the natural disaster program responsibilities of Agriculture. In May 1962, the Secretary directed that the natural disaster operations of the Department should be used as a means of training our people to meet any defense emergency. Our primary emphasis has been on developing a capability by the field staff of USDA to carry out the food, fire, and other defense responsibilities of the Department even if national direction is interrupted by an attack on our Nation. This has been done with continued emphasis on the national level planning that provides guidance to the field people.

As you will note from the budget estimate, assistance for USDA State and country defense boards and food management planning are the two areas for which considerably increased funds are requested. Our USDA State defense boards are developing agreements or memorandums of understanding with the State governments on how to handle postattack food problems. Such agreements have been formally signed with over one-fourth of the States and in the majority of the other States negotiations are underway or oral agreements have been reached on division of responsibility subsequent to an attack. Since some of these agreements include considerable advanced planning, additional help is needed in some States. Also, as understandings are developed with the States, then the USDA county defense boards must be trained to understand their emergency responsibilities. Also, this adds to the need for us to advise the food industry of these State and Federal plans so they will know what to expect and their own responsibilities in an emergency. Many of the food industries have asked us to provide them with more such information so they can perfect their own plans.

Funds requested for the rural defense information and education program and for radiological research, training, and monitoring are about the same as used in fiscal year 1962. Both of these programs are carried out in close cooperation with the Office of Civil Defense, Department of Defense, which has indicated it will continue to assist by supplying publications, monitoring instruments, and other support for these USDA programs.

Additional funds are requested to permit USDA to have full-time representation at the OEP-OCD regional offices. The importance of these regional offices will be explained by these agencies. A USDA representative at these offices is necessary if USDA is to have a capability to provide regional level coordination and direction in case an emergency renders the national offices inoperative.

The funds requested for economic research related to defense will make possible the initiation of special studies needed to support other USDA programs and to provide data for the OEP National Resources Evaluation Center. This work will be in addition to the special studies of quantities of food in homes and wholesale stocks which were undertaken cooperatively with the Office of Civil Defense in 1962.

I appreciate this opportunity to briefly describe our defense plans to the committee. I have with me several of our people who will be glad to answer any questions you may have on particular items in our budget request.

STATEMENT OF HOWARD J. SIMONS, DIRECTOR, DEFENSE SERVICES STAFF, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

If USDA does not have capability to function in the field in the immediate postattack period, it may not function at all during this period. This is true since lack of communication may make it impossible for national headquarters to direct activities for some time. USDA State and county defense boards and regional liaison representatives are vital parts of the USDA emergency field organization.

Assistance to USDA State defense boards

The request for $200,000 is designed to provide necessary assistance to USDA State defense boards.

A USDA State defense board has been established in every State and in Puerto Rico and the Virgin Islands in order to mobilize the field capability of USDA for use in an emergency. The chairman and members represent the various agencies of USDA which have important defense responsibilities in the field and they attempt to carry out their defense responsibilities along with other regular duties. The boards have no staff members who are concerned primarily with defense.

Defense policies and instructions have been issued to the USDA State defense board chairmen in accordance with Executive Order 10998, along with lists of work priorities. Many of the defense board chairmen find it impossible to carry out the full range of their defense assignments because of the pressure of other activities. This situation has caused many of the chairmen to recommend that funds be obtained to provide necessary assistance specifically on defense. Since there is no counterpart of the State board chairman in the current organization of the Department, the chairman cannot carry the full load himself nor is it possible in many States to call upon other regular personnel to provide the assistance needed.

The responsibilities of the chairman of the USDA State defense board are heavy. He is responsible, for example, for determining with State Governors or officials appointed by the Governor the proper relationships to be maintained between USDA and State and local government in the event of emergency. These and related understandings must be prepared in writing and kept up to date. The State defense board chairman must assure himself that all segments of USDA in the State are prepared to function effectively and in a coordinated manner in an emergency. He must take the lead in training the USDA county defense boards and assisting them with emergency preparations. In addition to these duties, the State defense board chairman is executive secretary of the USDA State disaster committee and he must be kept up to date on natural disaster activities.

Regional liaison representation

The $183,000 in the budget is to build the regional liaison representative staff back to full strength so USDA will have a full-time regional liaison representative and a full-time secretary in each of the eight regions which are the same as the regions used by the Office of Emergency Planning, and the Office of Civil Defense of the Department of Defense. Since only $150,095 was available for this purpose in fiscal year 1962, the full-time regional liaison representatives were reduced from eight to four in the middle of the year, although the eight full-time secretaries were retained. Regional liaison assignments in the other four regions were given to employees with other regular duties.

The four part-time regional liaison representatives find it impossible to carry out effectively the regional liaison responsibilities, at the same time keeping up with other regular responsibilities. To remedy this situation, four additional full-time regional liaison representatives are needed. The Director of the Office of Emergency Planning has urged that USDA maintain a full complement of full-time regional liaison representatives.

The regional liaison representatives are responsible for maintaining continuous liaison relationships with the Office of Emergency Planning, Office of Civil Defense of the Department of Defense, and other Federal agencies at the regional level. The regional liaison representative assists the Office of Emergency Planning, for example, in correctly interpreting USDA policy to State government and in interpreting Office of Emergency Planning policy to USDA officials on both defense and natural disaster activities. The regional liaison representatives are receiving an increasing number of requests from USDA State defense boards for technical assistance in defense planning. The full-time regional liaison representatives have been helpful in this, particularly as functions of the State boards relate to regional level activities. Regional liaison representatives are responsible for readiness of USDA to discharge its emergency responsibilities under Executive Order 10998 at the regional level. For example, the regional liaison representative must be ready to direct all activities of USDA in a postattack situation if communications with USDA national headquarters are cut off. Those who are located full time at regional offices of the Office of Emergency Planning and Office of Civil Defense of the

Department of Defense during the preemergency period are in a position to serve promptly and effectively in an emergency situation.

DEPARTMENT OF AGRICULTURE

Defense preparedness in the Department of Agriculture is organized to perform the functions delegated to it by the President in Executive Orders 10958 and 10998. The 1963 budget request for $755,000 for defense work in USDA reflects the broadened responsibilities in the emergency assignments under these Executive orders. To carry out the added responsibilities as reflected by Executive Order 10998, the following are included in the USDA budget request for 1963:

Recapitulation of estimates:	*1963 budget*
(*a*) Assistance to USDA State and county defense boards	$200,000
(*b*) Food management activities	200,000
(*c*) National defense planning and coordination	52,000
(*d*) Rural defense information and education	60,000
(*e*) Radiological research, training, and monitoring	30,000
(*f*) Special defense surveys and analyses	30,000
(*g*) Regional liaison	183,000
Total	755,000

(*a*) *Assistance to USDA State defense boards, $200,000*

These funds are to provide minimum essential assistance to USDA State defense boards in developing local plans to meet emergencies that could arise. The chairmen and members of the State defense boards carry out their defense assignments in addition to other regular work. Defense policies and instructions have now been issued, the boards have been established, and the chairmen of many of the boards need assistance to carry out the responsibilities assigned to them under Executive Order 10998. There is no counterpart of the defense board chairman in the present organization of USDA and he cannot easily call upon regular personnel to give him the additional assistance needed. In recent meetings, the State board chairmen have urged that assistance be provided to them. The chairmen have or are developing and maintaining understandings with State government and the food industry and other groups, coordinating defense planning at the State level and training and directing county defense board members. Readiness to function in event of an emergency is of the utmost importance in the field since communications with national headquarters may be cut off in the immediate postattack period.

(*b*) *Food management activities, $200,000*

These funds will be used principally to accelerate work with the food industry to develop a readiness to meet whatever situation might arise from an attack on this country. Considerable progress has been made on a part-time basis by commodity and distribution technicians carrying on regular nondefense assignments in initiating defense food management activities. Additional funds will permit working more closely with the industry and State governments on plans to assure continued production and processing of food, salvage when feasible, and by increasing the likelihood of a continued flow of food in a postattack situation. State governments and the food industry must be given more specifics and more details on their assigned roles in an emergency

Examples of accomplishments last year by the total effort devoted to this work included:

(*a*) Assignment of specific defense roles to each organizational unit;

(*b*) Development of preliminary food management plans and procedures for use at State and county levels;

(*c*) Clarifying principles governing understandings with State governments on postattack food resources management;

(*d*) Refining arrangements to accommodate the procurement of military food supplies; and

(*e*) Holding series of 2-day food management training meetings for a few State and regional personnel of the Department.

The present program level will have to be accelerated substantially to meet State, local, and industry demands for guidance. Work must be stepped up on developing standby food orders, and in extending and intensifying the training of agency, State, county, and industry personnel in emergency food management principles and procedures. In addition, much work needs to be done to develop

information about sources of supply and distribution patterns of individual food facilities, and to identify problems in food processing and distribution which would likely prevail in an emergency.

(c) National defense planning and coordination, $52,000

Coordination of the defense work in Agriculture with its natural disaster operations and its regular program activities is carried out in the Office of the Secretary. The Office of the Special Assistant to the Secretary for Defense to perform this function was established in the middle of the fiscal year 1962, and the funds requested will maintain the present two-man staff with secretarial help. This Office has realined defense assignments within USDA to make better utilization of available personnel and revitalize the field staff. This has resulted in development of memorandums of understanding with State governments on how postattack food responsibilities will be handled in 12 States with negotiations for such mutually desirable arrangements underway in all other States. This Office also provides liaison with other Federal agencies on defense matters.

(d) Rural defense information and education program, $60,000

The rural defense information and education program plans to use these funds for staff and developmental costs of special publications, visuals, leaflets, and other information materials for distribution through the Cooperative Extension Service to farmers and rural people to acquaint them how to protect themselves, their livestock, and crops from the effects of a nuclear attack.

As provided in Executive Order 10998, this program is developed and carried out in consonance with the Office of Civil Defense. In fiscal year 1962 the costs of part of the publications for this program were paid by the Office of Civil Defense, Department of Defense, from civil defense funds and it is understood that this arrangement will be continued in fiscal year 1963.

Accomplishments in 1962 included initiation of a series of leaflets on "You Can Survive" distributed to the State and county extension service personnel to assist them in providing civil defense advice to rural people, four civil service publications now at the printers, preparation of training materials and advising State and county extension services on carrying out their rural civil defense programs.

(e) Radiological research, training, and monitoring, $30,000

The Office of Civil Defense has supplied USDA with 3,557 operational monitoring kits. The Department has trained 515 radiological defense instructors and 8,823 radiological monitors. OCD is providing the USDA with 1,479 additional monitoring kits, 12,753 dosimeters, and 1,018 chargers during the fiscal year 1963. Funds provided will be used for training additional personnel to use such instruments, to maintain them, and to improve our monitoring capability. USDA research on protective measures against radioactive fallout will be continued and made available for postattack use by the Department's field staff, farmers, food processors, and others interested in this phase of civil defense.

(f) Special defense surveys and analyses, $30,000

The program would be directed toward an economic analysis of both local and national aspects of the effects that nuclear warfare would have on our agricultural plant and productivity.

Our modern agricultural plant is highly dependent on purchase of gasoline, oil, fertilizer, machinery, and other goods and services such as transportation, and a consequent serious reduction in the flow of goods to farmers would greatly reduce farmers' capacity to produce. Economic analysis is needed of probable impacts on agricultural production.

The 1963 program will also include some economic analysis to support the work of the OEP National Resources Evaluation Center and other defense planning.

Research work begun in fiscal year 1962 and being continued this year under a $95,000 contract from the Office of Civil Defense of DOD includes measurement of the number of man-days' supply of food and beverages on hand at the wholesale level of distribution and in houses.

(g) Regional liaison representatives, $183,000

The amount included in the budget is to build the regional liaison representative staff back to full strength so USDA will have a full-time RLR and a full-time secretary in each of the eight regions, which are the same as the

regions used by OEP and OCD. Since only $150,095 was available for this purpose in fiscal year 1962, the RLR's were reduced from eight to four in the middle of the year, althought the eight full-time secretaries were retained. RLR assignments in the other four regions were given to employees with other regular duties. The four full-time RLR's in the fiscal year 1962 were able to maintain the necessary liaison arrangements with OEP, OCD, and other Federal agencies, provide technical assistance to USDA State defense boards and coordinate the development of USDA plans at the regional level. The four part-time RLR's did as much of this as they could, but with workload steadily increasing they could not carry out the full RLR assignment. It is essential that they be replaced as soon as possible by full-time personnel. The OEP Director has urged that this action be taken. Justification for the regional offices and the agency representatives at these sites is included in the OEP budget. In addition to providing an emergency capability, these RLR's are assisting USDA State defense boards wtih their defense planning, and in case of natural disasters represent USDA in the regional work.

The increase of funds requested is to finance the broadened preparedness responsibilities of the Department of Agriculture under Executive Order 10998 issued to the Secretary by the President on February 16, 1962. Under that order the Secretary of Agriculture is required to prepare national emergency plans and develop preparedness programs covering food resources, farm equipment, fertilizer, and food resource facilities. The increase will make it possible to accelerate food management planning with State and local governments and with the food industry. The objective will be to assure continued production, processing, and flow of food in a postattack emergency.

Civil defense and defense mobilization functions—U.S. Department of Commerce

	1962 estimate	1963 request
General administration:		
Transportation staff (emergency transportation coordinating functions)	(1)	$175,000
Office of Emergency Planning Coordinator	$175,000	183,600
Defense Air Transportation Administration	103,000	104,000
Bureau of the Census	81,000	227,000
Business and Defense Services Administration	1,888,200	1,888,200
Maritime Administration	68,000	75,900
Weather Bureau	147,000	147,000
Total program (obligations)	2,462,200	2,800,700
Comparative transfers from other accounts and adjustments	23,082	
Total	2,485,282	2,800,700

[1] Although no funds were included in the fiscal year 1962 budget for this program there was a total of $52,000 allocated from OEP for the 2d half of the fiscal year 1962 when the responsibility for the program was transferred to the Department of Commerce from OEP.

Executive Order 10999 issued February 16, 1962, assigned emergency preparedness functions to the Secretary of Commerce. In general terms, these were to prepare national emergency plans and develop preparedness programs covering:

1. Development and coordination of overall policies, plans, and procedures for the provision of a centralized control of all modes of transportation in an emergency for the movement of passenger and freight traffic of all types, and the determination of the proper apportionment and allocation of the total civil transportation capacity, or any portion thereof, to meet overall essential civil and military needs.

2. Federal emergency operational responsibilities with respect to: highways, roads, streets, bridges, tunnels, and appurtenances; highway traffic regulation; allocation of air carrier aircraft for essential military and civilian operations; ships in coastal and intercoastal use and ocean shipping, ports and port facilities; and the Saint Lawrence Seaway; except those elements of each normally operated or controlled by the Department of Defense.

3. The production and distribution of all materials, the use of all production facilities, the control of all construction materials, and the furnishing of basic industrial services with certain specific exceptions.

4. Fallout forecasting based on current weather data.

5. Collection and reporting of census data for emergency planning purposes.

The Executive order stated that these plans and programs shall be designed

to develop a state of readiness in these areas with respect to all degrees of national emergency including attack upon the United States.

With the exception of the assignment of the function relating to Transportation Planning and Coordination, the Executive order was a restatement of functions previously delegated to the Department of Commerce and upon which they have been continuously working.

The transportation function is broad in scope and covers the following:

1. The Secretary shall develop long-range programs designed to integrate the mobilization requirements for movement of all forms of commerce with all forms of national and international transportation systems including air, ground, water, and pipelines, in an emergency; more particularly he shall:

(*a*) *Resources and requirements.*—Obtain, assemble, analyze, and evaluate data on the requirements of all claimants for all types of civil transportation to meet the needs of the military and of the civil economy. Consolidate, evaluate, and interpret both current and projected resources and requirements data developed by all Federal agencies concerned with moving passengers or cargo by all modes of transportation for the purpose of initiating actions designed to stimulate Government and industry actions to improve the peacetime structure of the transportation system for use in an emergency.

(*b*) *Economic projections.*—Conduct a continuing analysis of transportation problems and facilities in relation to long-range economic projections for the purpose of recommending incentive and/or regulatory programs designed to bring all modes of transportation in balance with each other, with current economic conditions, projected peacetime conditions, and with emergency conditions.

(*c*) *Passenger and cargo movement.*—Develop plans and procedures which would provide for the central collection and analysis of passenger and cargo movement demands of both shipper and user agencies as they relate to the capabilities of various transport modes in existence at the time, control or delegate control of the priority of movement of passengers and cargo for all modes of transportation by mode or within a mode and develop policies, standards, and procedures for emergency enforcement of controls through the use of means such as education, incentives, embargoes, permits, sanctions, claimancy policies, etc.

(*d*) *Emergency transportation functions.*—In consonance with plans developed by other agencies assigned operational responsibilities in the transportation program, develop plans for and be prepared to provide the administrative facilities for performing emergency transportation functions when required by the President.

Major accomplishments in fiscal year 1962

1. Regional Emergency Planning Coordinators—

(*a*) Coordinated the revision and updating of all Commerce field agencies' continuity of operations plans.

(*b*) Developed and issued emergency operations orders providing for automatic actions to be taken upon receipt of alert warning.

(*c*) Assisted industries in developing industrial defense plans (St. Lawrence Seaway and Union Carbide, typical examples).

2. The Office of Emergency Transportation initiated research to develop facts which will serve as a principal component of future transportation planning by this office.

3. (*a*) The Defense Air Transportation Administration developed and published three allocations of civil air carrier aircraft to DOD for the Civil Reserve Air Fleet (CRAF). These allocations required to phase in new aircraft and eliminate those lost, sold, etc. "SPOT" allocations made on average of six to eight times a month.

(*b*) Revised CRAF planning policy to require self-support by airlines.

(*c*) Issued interim insurance binders covering a total of 149 U.S. aircraft. Applications for coverage of 45 additional aircraft being processed.

4. Bureau of the Census provided two full-time statisticians and other staff and computer time to NREC:

(*a*) For test exercises.

(*b*) To maintain permanent manufacturing plant number system and provide up-to-date operating data for large plants.

(*c*) To complete and publish new National Location Code of Census geographic areas. (Completed.)

5. The Office of Industrial Mobilization (BDSA):

(*a*) Processed 572 special assistance cases involving priorities with a value of $51,857,800, and processed 322 cases for authorization having a total value of $156,035,133.

(*b*) Engaged in stockpile activities including:

(1) Nine reviews of estimates of essential civilian and war-supporting requirements.

(2) Thirty-six recommendations for disposition of surplus stockpile materials.

(3) Thirteen reviews of purchase and acceptance specifications.

(4) Seventeen reviews of stockpile storage procedures.

(5) Five special studies pertaining to stockpile and strategic materials.

(6) Seventeen studies of supply-requirements for nonstockpile strategic items.

(*c*) Completed and issued 24 analyses covering 80 products or segments of industry.

(*d*) Entered into research contract to test and improve method of estimating through vertical analysis the national capability to produce essential products following nuclear attack.

(*e*) Provided advice and guidance to private industry and Government agencies on dispersion of facilities with respect to approximately 20 sites.

6. Maritime Administration:

(*a*) Completed six annexes to Manual for Emergency Utilization and Control of U.S. Ports.

(*b*) Published Supplement No. 1 for Operation of U.S. Seaports under emergency conditions.

(*c*) Completed basic inventory and port transshipment capacity estimate of selected U.S. ports.

(*d*) Completed and distributed formula methodology for estimating general cargo-handling capacity and berthing facilities.

7. Weather Bureau:

(*a*) Issued fallout forecasts twice daily for 55 geographical locations and 4 times daily at 18 additional locations.

(*b*) Equipped all Weather Bureau stations with necessary instruments to monitor fallout radiation. Maintained these instruments and tested operability.

(*c*) Tested communications procedures and trained all monitoring personnel in operation of instruments and reporting procedures.

Proposed accomplishments, fiscal year 1963

1. Continue programs related to maintaining current capabilities and updating and revision of plans as required.

2. In the Office of Emergency Transportation:

(*a*) Consolidate, evaluate, and interpret current and projected resources and requirements data developed by all Federal agencies concerned with all modes of transportation.

(*b*) Develop system for effective allocation of total transportation capacity to meet overall essential military and civilian requirements.

(*c*) Establish a procedure for centralized control of transportation to insure maximum utilization.

(*d*) Integrate transportation planning activities of the Department with those of DOD.

3. In the Defense Air Transportation Administration:

(*a*) Revised civil reserve air fleet plans to include both an international and domestic fleet effective August 1, 1962. Allocation includes 328 aircraft in the international fleet and 73 in the domestic fleet. Allocation will be revised on a quarterly basis with spot allocations as required.

(*b*) Participation in NATO exercise and U.S. logistical supporting exercise.

(*c*) Continue participation in review of CRAF policy and resolution of disagreements concerning responsibilities of CRAF program.

(*d*) Continue development of a wartime air priorities system.

4. In the Bureau of Census:

(*a*) Compute square miles of land and water in each standard location area.

(*b*) Update data in resource file for large manufacturing plants.

(*c*) Develop plans for postattack population surveys.

5. In BDSA Office of Industrial Mobilization:

(*a*) Process an estimated 1,500 special assistance authorization cases including Project Apollo, a $4 billion project.

(*b*) Review and revise basic data sheets for 60 stockpile items.
(*c*) Prepare supply requirements analyses for 25 strategic materials and 30 high-heat alloy special property materials in a mobilization period.
(*d*) Study and advise on market impact of sales of 60 surplus stockpile materials.
(*e*) Review and advise on 30 purchase specifications and 15 procedures for storing stockpile materials.
(*f*) Prepare an estimated 12 special studies on material problems related to stockpile.
(*g*) Within the Industry Evaluation Board conduct an analysis covering 65 to 70 products.

6. In Maritime Administration:
(*a*) Complete estimate of emergency requirements for principal items of specialized equipment.
(*b*) Develop communication plan for emergency port control organization.
(*c*) Continue project work on emergency offshore tanker and petroleum handling facilities.

7. In Weather Bureau: Continue program at same level.

Summary of how the Department proposes to use the 1963 funds

To meet the proposed objectives for fiscal year 1963 the Department plans to use the funds allocated as follows:

1. *Office of Emergency Transportation ($175,000).*—To provide 14 new positions and related costs of administering these new responsibilities.

2. *Office of Emergency Planning Coordinator ($183,600).*—To provide financial support for 18 of the total office complement of 21 positions. Of this amount, two positions, an assistant to the Emergency Planning Coordinator for civil defense activities and a clerical assistant, are assigned to the Washington office. Sixteen positions are located throughout the eight regional offices established by OCD–OEP. Each regional office is staffed by a regional coordinator and a secretary.

The increase of $8,600 requested for fiscal year 1963 is to fill two secretarial vacancies in the regional offices. In fiscal 1962 the funds for these two positions were impounded to make travel funds available to the eight regional coordinators. The increase will permit filling these vacancies and provide a limited amount of funds for travel.

3. *Defense Air Transportation Administrator ($104,000).*—To continue to provide for eight positions and related costs. An increase of $1,000 is requested to enable professional staff personnel to attend various meetings which have a direct effect on the DATA programs.

4. *Bureau of the Census ($227,000).*—To provide—

(*a*) Support for Census staff assigned full time to the National Resource Evaluation Center	$25,000
(*b*) Updating census records relating to critical manufacturing plants	14,000
(*c*) Planning for a postattack population survey	34,000
(*d*) Computation of the surface area of each of the standard geographic locations included in the national location code	127,000
(*e*) Proportionate share of Bureau administrative expense for this activity	27,000
Total	227,000

These funds include provision for an increase of five permanent employees assigned to this program making a total of six permanent positions.

5. *Business and Defense Services Administration ($1,888,200).*—To provide for an average of 165 man-years at a cost of $1,511,000 and other objects of $377,200. No increase has been requested for fiscal year 1963.

6. *Maritime Administration ($75,900).*—To provide for the seven permanent positions and related costs. The increase requested ($7,900) covers $2,100 in pay and personnel benefits and $5,800 for other objects.

7. *Weather Bureau ($147,000).*—To provide for 16 permanent positions and related costs. No increase has been requested over fiscal year 1962.

Effects of House of Representatives cut in proposed funds

Assuming the allocation of funds to the Department of Commerce by OEP would be the same as for fiscal year 1962, the programs would be affected as follows:

1. Office of Emergency Transportation: Since no funds would be provided the Office would be deactivated and the function discontinued.
2. Office of the Emergency Planning Coordinator: The two secretarial positions would not be filled and the funds derived therefrom used for travel purposes.
3. Bureau of the Census: The statistical information and assistance required by the National Resource Evaluation Center could not be provided.
4. The Maritime Administration: The program would be curtailed and certain objectives could only be partially met.
5. All other programs would be continued as planned.

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS

Federal Aviation Agency

Salaries and expenses, civil aviation defense functions:

1962 estimate	$121,000
1963 estimate	200,000

Executive Order 11003 assigns to the Federal Aviation Agency the responsibility for preparing and furnishing guidance to the civil aviation industry in the development of plans and programs to maintain that industry in a state of readiness for all degrees of national emergency, including attack upon the United States.

Accomplishments for 1962

Initiated programs of guidance and assistance to all elements of civil aviation in the formulation of plans for emergency operations, viz, disaster control planning for operational areas and airport defense planning for airports.

Meetings were conducted with officials of 23 airlines where disaster plans were tentatively formulated. A prototype disaster plan was developed. A case study outlining the vulnerability and emergency use of facilities of a major airline headquarters was prepared and issued to all U.S. air carriers as a prototype.

Met with officials and members of the larger national general aviation organizations (i.e., International Flying Farmers Association, Flying Physicians Association, Aircraft Owners and Pilots Association, Ninety-Nines, National Association of State Aviation Officials, etc.) to render advice, guidance, and indoctrination to enable them to initiate disaster control programs among their members.

Held orientation briefings at 29 airport service field offices. Established liaison with airport service engineers and the Air Force Reserve Recovery Units at civil airports.

Trained 31 airport field engineers in radiological monitoring and assisted 7 in obtaining extensive training in atomic, biological, and chemical warfare defense.

Prepared draft copies of the following publications: (1) "Airport Disaster Control Guide," (2) "A Sample Disaster Control Plan," (3) "Radiation Safety for Civil Airports," (4) "Radiological Decontamination for Civil Airports," and (5) "Airport Defense Facts Sheets." An airport terminal building fallout shelter data sheet is also available.

A special project was undertaken to develop a prototype airport disaster control plan.

Proposed accomplishments for 1963

Extend orientation meetings additional air carriers not contacted in fiscal year 1962.

Continue efforts to offer training and encourage training at radiological monitoring classes by representatives of all national civil aviation organizations.

Increase contacts with all elements of general aviation (i.e., 600 repair stations, 2,400 air-agency and air-taxi operations bases, 1,200 non-Federal civil aviation communications stations and dispatching centers.)

As directed by Executive Order 11003, the agency concerned with defense readiness will provide guidance to the FAA regions on the development of plans for emergency management of civil aviation facilities, civil airports, civil aviation service, and civil aircraft other than air carrier.

Plans and procedures will be prepared for the effective utiilzation of repair station capabilities, especially during a national emergency.

Guidance will be prepared and furnished the regions by the Washington service offices in the conduct of a national program of vulnerability reduction, disaster preparedness, and damage control for civil air carriers, general aviation operators, civil airports, and aircraft maintenance and repair stations.

Plans and procedures will be developed with respect to decontamination and emergency utilization of civil airports, aircraft repair stations, and maintenance bases.

Guidance and regulations as necessary and appropriate will be developed for the salvage of supplies and equipment and the rehabilitation or replacement of essential air carriers, airports, and general operating facilities.

Courses dealing with civil defense knowledge and skills will be prepared and incorporated into aeronautical courses.

Plans and procedures will be developed for assessing and reporting the effects of enemy attack on civil airports, civil aircraft, air carriers, and general operating facilities and maintenance bases.

The emergency readiness capabilities of airports, air carriers and other civil aviation operators, maintenance bases, and repair stations will be evaluated periodically.

Administrative direction in the development of radiological monotoring capabilities will be encouraged in all FAA regional offices.

An increase of $79,000 is requested for the Federal Aviation Agency in order to extend its work with airlines to assist them in developing disaster plans. Field operation courses would be conducted with these increased funds at all FAA field offices. One engineer in each of the offices will be given training in atomic, biological, and chemical defense. Special projects will be undertaken to develop a prototype plan and provide assistance for small- and medium-size airports in preparing to meet emergency conditions.

Federal Communications Commisison

Salaries and expenses, defense coordination:

1962 estimate	$15,300
1963 estimate	67,509

In FCC, the Defense Coordination Division assures the continuity of FCC effort in emergency planning and mobilization of FCC personnel and facilities: it coordinates the activities of the Commission's damage assessment officer and the work of the broadcast bureaus defense activities officer with NREC. In 1962 estimate covers only the cost of FCC representation to the National Resoure Evaluation Center.

Accomplishment for 1962

Developed data for the National Resource Evaluation Center, coordinated defense planning activities with the broadcast bureaus, and continued planning for the continuity of the FCC and its emergency operation activities. Selected and trained Executive Reserve personnel.

Proposed accomplishments for 1963

To continue furnishing data to the National Resource Evaluation Center and other emergency planning and mobilization activities of FCC. Continue to select and train additional executive reservists.

Department of Health, Education, and Welfare—Estimates for delegate agency activities (other than Public Health Service) fiscal years 1962–63

	1962 amount	1963 amount
Food and drug activities	$105,000	$120,000
Emergency welfare services	290,000	338,000
Field planning	136,000	150,000
Executive direction and coordination	96,500	98,500
Total	627,500	706,500

STATEMENT

For the purpose of the fiscal year 1963 hearing, the functions delegated to the Secretary of Health, Education, and Welfare are covered in two ways: (1) The request of $41,445,000 for emergency health activities, including the medical stockpile, will be presented later by Assistant Surgeon General Hundley, and (2) the request of $706,500 for delegated nonhealth emergency activities is discussed in the paragraphs which follow.

If a nuclear attack should ever come, it will bring massive destruction and disruption not only to houses and homes, but to health and welfare services, sanitation services, access to normal food and water supplies, and the other necessities of daily living. People will be hurt, sick, homeless, and frantic for knowledge of what has happened to other family members. Those who are sheltered from radiation can survive, but on emerging from shelter into what is left of the community they must be aided by emergency health and welfare measures under the most austere conditions.

Lifesaving measures, reuniting of families, and reestablishment of family and community living would be an important, perhaps the most important, part of the painful process of postattack recovery. The Department of Health, Education, and Welfare has concern for this problem not only because of the President's Executive order but also because its regular programs are devoted to the needs of people. This concern would have first claim on every departmental resource and every employee in the postattack period.

What can be done about this in terms of emergency preparedness? The Department must enlist thoughtful attention to postattack problems by the entire DHEW organization, and by the personnel of State and local counterpart agencies and national voluntary agencies for health and welfare. We are required by Executive order to develop national guidance materials. This we are doing. We must translate these into State and local training and competency. We must help the States to improve their local health and welfare survival plans. We must engage in appropriate research and damage assessment work. We must strengthen our regional organization by having regional relocation sites in being. We must continue to work with regional OEP and OCD staffs in coordinated planning and testing of emergency procedures so that postattack operations could continue when cut off from national headquarters. We must relate this also to survival planning within the States of the region. One staff assistant for this purpose is required in each DHEW regional office. All this is part of the Department's assignment to develop an emergency organization structure, and to coordinate with other departments and agencies, as required in section 13 of Executive Order 11001.

Omitting at this time any further reference to emergency health, the remainder of this statement deals with two substantive areas, (1) emergency food and drug preparedness and (2) emergency welfare preparedness.

EMERGENCY FOOD AND DRUG ACTIVITIES

Program assignment

To develop a national program for the maintenance of safety, including decontamination procedures, in the distribution and use of food, drugs, and biologicals in an emergency, involving training and close cooperation among Federal, State, and local food and drug officials and the food and drug industry.

Some 1962 accomplishments

Thirty-seven training courses in emergency food and drug procedures presented to Federal, State, and local officials and to the food industry in 24 States.

There were 1,530 people given training in these professional courses.

Speakers and guest instructors provided for 20 professional and industry association meetings and training courses.

Research studies made to determine the vulnerability of six staple food commodities to contamination by two potential BW organisms.

Research studies begun in methods of decontamination of these six foods.

Fluorescent antibody techniques investigated to evaluate their use in determining food contamination with BW organisms.

Studies begun concerning the heat stability of a third potential BW organism.

Cultures of a fourth potential organism obtained and arrangements made to produce large quantities of a fifth organism for use in vulnerability studies.

Continuing discussions held with representatives of other research organizations to avoid duplication of effort.

Objectives for 1963

To continue research and to expand emergency food and drug training to more States and cities, to more people, and to more industry groups.

Effect of House action

To hold at the 1962 level will eliminate one of three training teams, reduce the ability to furnish guest instructors for State, local, and industry professional courses, and curtail the planned expansion of research in additional food vulnerability studies, including penetration of packaged foods by aerosols containing bacteriological and chemical contaminants.

EMERGENCY WELFARE SERVICES

Scope

Emergency welfare services, as defined in the Executive order, include emergency feeding, clothing and billeting of displaced persons, locating and reuniting of families, the care of special groups, such as unaccompanied children, and the development of plans for postattack welfare organization. The Federal Civil Defense Act also authorizes temporary emergency financial aid to victims of the attack and the development of State plans for this purpose is also part of the welfare function.

Program assignment

To develop and increase local competency to provide essential welfare assistance and services to all persons in need under conditions of national emergency; for this purpose, to prepare national guidance materials, extend guidance and technical assistance to State and local welfare departments, conduct training activities, maintain plans in readiness for temporary emergency financial aid where required.

Some 1962 accomplishments

Development of guidance materials for State and local use, i.e., working drafts of five manuals for field testing.

Thirty-eight Federal-State agreements negotiated with State welfare departments.

Thirteen memoranda of understanding with national voluntary agencies (e.g., American Red Cross), as required by the Executive order.

A series of regional conference for the guidance and training of State welfare officials.

Development of a set of standards and survey forms for evaluating emergency welfare readiness and the testing of these by field surveys in eight communities.

Development of prepositioned materials for postattack damage assessment.

Objectives for 1963

To continue the field testing and final editing of guidance materials for State and local use, to extend the opportunity for technical assistance and training to the States in three regions where at present there is no regional representatives, and participate with OCD in further communities readiness surveys.

Effect of House action

To hold at the 1962 level will mean that 3 of the 9 DHEW regions will be unable to assist the 16 States of those regions in the translation of national welfare guidance into State and local survival plans. These 16 States are New York, Pennsylvania, New Jersey, Delaware, Missouri, Iowa, Minnesota, North Dakota, South Dakota, Nebraska, Kansas, Colorado, Utah, Wyoming, Idaho, and Montana.

Housing and Home Finance Agency—Defense planning activities

1963 appropriation request $250,000

Executive Order 11004, dated February 16, 1962, assigned to the Administrator, Housing and Home Finance Agency, the responsibility to "prepare national emergency plans and develop preparedness programs covering all aspects of lodging, housing, and community facilities related thereto." This Executive order superseded previous assignments of civil defense and defense mobilization responsibilities.

During fiscal year 1962 HHFA completed the preparation of a number of technical guidelines for State and local use and several emergency operating instructions for HHFA staff use. These include instructions and guides for—

(*a*) Interim local rent control.
(*b*) Assessing the damage to housing.
(*c*) Provision of water under primitive conditions.
(*d*) The establishment of local emergency housing organizations.
(*e*) Emergency housing construction.
(*f*) Emergency repair of damaged housing.
(*g*) Provision of emergency community facilities.
(*h*) The management of emergency housing.

The guides which were intended for the use of State and local authorities have been referred to the Office of Emergency Planning and the Office of Civil Defense (DOD) for reproduction and distribution to State and local governments.

The activities proposed for fiscal year 1963 are intended to accomplish two things:

(*a*) To complete additional guides and operating instructions.

(*b*) To improve and expand the organization and training of emergency personnel at regional, State, and local levels.

Additional guidelines and instructions will be prepared during fiscal year 1963 for the following:

(*a*) Emergency instructions for local public housing and redevelopment agencies.

(*b*) An operating plan for a Federal rent-control program.

(*c*) The conversion of nondwelling structures to dwelling use, plans and specifications and instructions for the manufacture and use of mobile housing such as trailers.

(*d*) The provision of financial assistance to localities for the emergency repair or construction of austere community facilities (water and sewer).

(*e*) The plans, regulations, and procedures under which HHFA would carry out its emergency function as central claimant for materials, equipment, and manpower necessary for emergency housing and community facilities.

In fiscal year 1963 a most important part of HHFA's emergency readiness program will be the expansion of the tests, training, and indoctrination of regional, State, and local staffs in the execution of the emergency plans and instructions which have been prepared.

HHFA has a skeleton emergency organization. This organization must be completed by the designation of staff for each emergency function and the training of staff so that response in an emergency becomes automatic.

Special training and test runs must be conducted to evaluate each operating instruction as for example the emergency construction of barracks. The whole procedure of application, programing, contracting, etc., would be tested on a simulated basis.

These preattack training and organization activities are essential if the plans which have been made are to be effective at State and local levels in an emergency. This will involve conferences and training sessions in each of the HHFA regions and in each State, and in a selected group of localities, and this activity accounts for the increase in funds requested for fiscal year 1963.

The defense coordinator's staff in the Office of the Administrator directs, supervises, and coordinates the emergency planning activities of HHFA and its five constituent agencies. HHFA also maintains an employee at the National Resources Evaluation Center for damage assessment activities.

The estimate of $250,000 is $89,125 above the amount estimated for 1962. The increase requested would provide a total staff of 25 persons to carry out the responsibilities under Executive order—an increase of 7 over June 30, 1962. Elimination of the increase could seriously limit the progress which can be made, particularly in the emergency housing field.

Department of the Interior—Recapitulation of estimates

	Available, 1962 amount	Estimate, 1963 amount
Office of the Secretary	$29,100	$53,500
Office of Water and Power	24,000	53,000
Office of Oil and Gas	115,000	200,000
Office of Minerals Mobilization	261,000	180,000
Total	429,100	486,500

The direct mobilization program financed by transfer of funds from the appropriation for the delegate agencies totals $429,100 for the current fiscal year. The request for the fiscal year 1963 is $486,500, or a net increase of $57,400 over 1962.

Executive Order 10997, effective February 16, 1962, delegates to the Secretary of the Interior the responsibility for carrying out the Government's mobilization planning functions with respect to electric power, petroleum and gas, solid fuels, metals, and minerals.

These functions also involve day-to-day activities of the Department which are financed through the regular Department budget. The funds requested in this budget are for specific defense activities over and above those which can be carried with regular Interior funds.

The plans being developed and implemented in the fields cited above are designed to develop a state of readiness to meet the conditions of any national emergency, including direct attack on the United States. There follows a brief discussion of the activities for which funds are requested.

OFFICE OF THE SECRETARY

The request for the Office of the Secretary is $53,500 which includes an increase of $24,400 over that available for the current fiscal year. The request consists of $19,000 for continuing the Department's representation at the National Resources Evaluation Center, $17,500 for radiological defense training, and $17,000 for expenses of Interior-paid mobilization personnel.

The representation at the National Resources Evaluation Center is a continuing function and no increase is requested. Regarding the radiological defense training, the Department has been requested to man 325 stations of the Federal fixed station monitoring network. The sum requested is primarily for paying the traveling expenses of employees to locations where they can receive training, and $7,500 for radiological equipment. The expenses of Interior-paid mobilization personnel consist of travel and other expenses of Interior personnel in coordinating the Interior activities with the regional personnel of the Office of Emergency Planning and the Department of Defense.

ELECTRIC POWER

For the fiscal year 1963 certain salaries and expenses relating to defense electric power are included with those of the Assistant Secretary for Water and Power Development.

In addition, there is requested for the fiscal year 1963 the amount of $53,000. This is an increase of $29,000 over the amount available for 1962 from the Office of Emergency Planning appropriation.

The President has delegated to the Department of the Interior responsibility for preparedness measures in the field of electric power. Plans are developed, but must be continually implemented to assure prompt restoration of electric power service as soon as possible after an attack. To carry this out, Interior has established a Defense Electric Power Administration. This Administration consists of an active headquarters staff and a standby field organization which will be activated as conditions warrant during a national emergency. The field organization consists of 16 power areas within the 48 States and 1 each in Alaska, Hawaii, and Puerto Rico. Each power area is headed by a director, with alternates, to insure continuous direction. These are employed by the Department on a without-compensation basis and devote part of their time to mobilization planning without cost to the Federal Government except for security clearances. At the present time Interior has approximately 40 w.o.c. employees who devote

part of their time to electric power mobilization activities. Mobilization planning and implementation is necessary also on regional and State levels, special power studies are required, and it is necessary to train industry personnel. The organization, coordinating, and training required of the Washington personnel is more than can be provided by the current staff and the increase will permit the addition of one professional engineer with a stenographer, and some increase in funds for travel and other expenses.

OIL AND GAS

The estimate of $200,000 is $85,000 more than the amount available for the fiscal year 1962. These funds are urgently needed to assist State, city, and local governments to plan, test, and coordinate with Federal planning their programs for the emergency handling of petroleum and gas. Most of this work must be accomplished at the State, city, and local level.

Current planning provides for the Office of Oil and Gas to serve as the nucleus of a standby Federal petroleum and gas agency to be in readiness to exercise directional control of oil and gas industry operations during a national emergency. Operating in close conjunction would be appropriate State, city, and local government emergency units supervising allocation and distribution of oil and gas to the consumer. Backing up all levels of government would be industry endeavoring to supply products and services as needed.

In carrying out its responsibilities in Executive Order 10997, the Office of Oil and Gas makes maximum use of its built-in capabilities. The advice and experience of its technical specialists are drawn upon freely and its information materials and studies fully utilized in developing and coordinating national level emergency planning guidance and in providing direction and review of field emergency planning programs.

During the fiscal year 1962, the Office of Oil and Gas has staffed five area offices with an oil and gas emergency planning representative and a secretarial assistant. In fiscal year 1963, funds are requested to staff three more of these area offices so as to have an oil and gas representative in each of the eight area offices to work with State, city, and local officials and representatives of industry.

If the oil and gas emergency planning programs are to succeed, they must have the wholehearted participation of the petroleum and gas industries. Limited guidance dealing with industry survival preparations is provided by our area representatives. However, a specialist in industry facilities protection is urgently needed in the Washington office to prepare manuals for the use of our field personnel and for the development of specific guidance to individual petroleum and gas companies regarding their disaster planning problems. Funds are requested in the fiscal year 1963 to provide an industrial specialist and secretarial assistant for this purpose.

Recruitment for the petroleum and gas unit of the national defense executive reserve must be expanded and reservists trained to carry out their duties in an emergency situation. Fifty to sixty individuals are expected to be nominated during fiscal year 1963 and the estimate includes funds for security checks required for these reservists. Thus far training and orientation of reservists have been confined to their receiving information materials by mail, infrequent participation of Operation Alert exercises, and occasional contact with our area representatives. It is proposed to conduct reservist training conferences every quarter in each of the eight area offices during the fiscal year 1963. Funds for travel of full-time employees to conduct these training conferences is included in the budget estimate; however, if any traveling is necessary for executive reservists, it is at their own expense.

Substantial progress has been made in these emergency planning programs thus far during the fiscal year 1962, and the funds requested are urgently needed to continue assistance to State, city, local, and industry officials, as well as to inaugurate the programs in the remaining three areas.

OFFICE OF MINERALS MOBILIZATION

The Executive order delegates to the Secretary of the Interior the responsibility for carrying out the Government's mobilization planning functions with respect to metals, minerals, and solid fuels. The Secretary has reassigned to the Office of Minerals Mobilization this responsibility for developing and keeping current preparedness measures.

This $180,000 budget estimate covers these functions.

I. Preparedness measures

The OMM responsibilities are (1) to insure that in a defense emergency the supply of metals, minerals, and solid fuels will be adequate to meet the Nation's needs; (2) to assist industry in developing and maintaining a capability of responding to the demands of an emergency, and (3) to provide the nucleus of the staff of an emergency organization for metals, minerals, and solid fuels.

II. Mobilization supply

OMM evaluates potential sources of strategic metals, minerals, and solid fuels which would be available in wartime, and measures these sources of supply against estimates of wartime requirements. It makes recommendations for actions necessary to close the gap between foreseeable wartime supply and demand.

III. Continuity of industry

OMM renders assistance to the metals, minerals, and solid fuels industries in developing and maintaining their capability of responding to a defense emergency.

Stockpiles.—OMM assists OEP in formulating and carrying out plans and programs for the stockpile of critical and strategic materials and for survival items.

IV. Continuity of government

OMM is prepared to operate as the Government agency for metals, minerals, and solid fuels in an emergency. In this respect, the following programs are carried out:

1. *Maintenance of relocation centers for emergency operations.*—Necessary operating equipment, files and duplicate documents are maintained in readiness for operation in a defense emergency.

2. *Emergency staffing plans.*—The organization and staffing charts have been prepared and are being kept current.

3. *The Executive reserve.*—Senior officials from industry are being recruited and trained for Government service in the metals, minerals, and solid fuels areas. To date 67 have been recruited and the Office is in the process of designating and indoctrinating additional persons as reservists.

4. *Priorities and allocations.*—Standby orders have been prepared, and are being maintained on a current basis, to insure that in a defense emergency, the metals, minerals, and solid fuels industries will be in a position to operate smoothly and have adequate materials for operation, maintenance, and repair of their plants as well as for essential construction.

5. *Damage assessment.*—Data on metals, minerals, and solid fuels production facilities necessary to provide damage assessment in event of an attack have been collected and are maintained for OEP's National Evaluation Resources Center.

6. *Product and facility ratings.*—OMM performs staff work for the Industry Evaluation Board for rating products and facilities under its jurisdiction.

7. *Solid fuels guidance.*—OMM plans Federal activities for the handling of solid fuels at the State and local level during an emergency.

Interstate Commerce Commission

Emergency transportation activities:	
1962 estimate	$70,000
1963 estimate	175,000

The Interstate Commerce Commission has assigned functions under Executive Order 11005 to develop preparedness covering railroads, motor carriers, and inland waterway equipment and shipping.

1962 accomplishments

Mobilization orders to cover all modes of transportation have been updated and have been filed at emergency relocation sites and at each ICC field office. Copies of the orders were made available to industry trade associations and State regulatory agencies, and through them to transportation companies and operators. These standby orders give guidance to carriers and shippers in determining precedence to be accorded the movement of persons and goods under emergency conditions.

An outline for interstate and intrastate emergency transport plans has been presented to the Governor of each State with an invitation for participation by representatives of the State governments. Coordinated Federal-State planning for domestic surface transportation is proceeding in several States.

The ICC Executive Reserve Unit, consisting of outstanding representatives of the transportation industries, has been increased from 106 to 372 members, with an additional 129 nominees to be appointed. This provides the Commission with voluntary standby executive talent located throughout the country and ready to assist the field staff of the Commission to give guidance and assistance in an emergency in the use and rehabilitation of the various modes of transportation.

Proposed accomplishments for fiscal year 1963

Activity will be required to maintain on a current basis plans and orders which have already been issued. Major emphasis will, however, be placed on developing the ability nationally to insure the availability of manpower, fuel, materials, equipment, supplies, and services which will be needed in support of the recovery of transportation systems after an attack.

The ICC would develop its capability to act as claimant for necessary manpower, materials, and supplies needed by the transportation industry.

Tentative requirements would be assembled for emergency transportation service and would be developed in cooperation with the Department of Commerce, Department of Defense, and Office of Emergency Preparation. In fiscal year 1963 the Commission proposes to develop standby priority systems to expedite the movement of essential cargoes and passengers under emergency conditions. Plans would be developed for the most efficient use of transportation through the reduction of bottlenecks and the speeding of turnarounds.

The ICC will develop plans and procedures for financial aids and incentives including credit assistance to domestic surface transportation and storage organizations that might need such assistance in various mobilization conditions, particularly those resulting from attack.

Effect of House action

The request for this agency is an increase of $105,000 to provide for 11 positions to work with the operating bureaus of the Commission (Safety and Service, Motor Carriers, and Water Carriers and Freight Forwarders), particularly to develop a system of claimancy and resources management and further organize and train the executive reservists, for all modes of domestic surface transportation. A national permitting system would also be developed during fiscal year 1963. The effect of the House action would be to hold ICC to its present level and to eliminate 11 positions from the request. This would make impossible substantial progress in the fields described.

U.S. Department of Labor—Civil Defense and Defense Mobilization Functions (1962, $978,348; 1963, $1,285,000)

The Department of Labor submitted a request for $1,285,000 to carry out its civil defense and defense mobilization planning responsibilities during fiscal year 1963. In fiscal year 1962, the Department received from funds appropriated to OCDM $978,348. What has been accomplished with these funds, together with proposals for 1963 and the effect on these plans if funds are limited to the amount allocated in 1962 are detailed below.

Background

Under Executive Order 11000 the Secretary of Labor is assigned certain emergency preparedness functions which include preparation of national emergency plans and development of preparedness programs covering civilian manpower mobilization, more effective utilization of limited manpower resources including critical occupations and specialized personnel, worker incentives and protection, manpower resources and requirements, skill development and training, wage and salary stabilization, and labor-management relations. Executive Order 11000 specifies that the breadth of such planning "shall be designed to develop a state of readiness in these areas with respect to all conditions of national emergency, including attack upon the United States."

The Department of Labor has been denied the use of funds by its regular Appropriations Committees for such civil defense and defense mobilization planning purposes. The House of Representatives Appropriations Subcommittee concerned with appropriations for the Department of Labor has consistently stated that it will "look with extreme disfavor on the diversion, for these purposes, of any funds in the bill" (85th Cong., 2d sess., Rept. No. 1565). The only source of funds available to the Department in the past years has been allocations made to it by OCDM and last year by OCD–DOD and OEP. In 1963, the

Department's civil and defense mobilization planning activities will be limited by the funds made available to it through allocation by the Office of Emergency Planning.

The responsibilities assigned to the Department of Labor are an essential element in the completion of overall planning for emergency readiness. The two major groups of responsibilities of the Department—planning for civilian manpower mobilization and for wage stabilization in an emergency—are among the most essential elements for the survival of the Nation in the event of a nuclear war. Manpower, of all production elements, is the essential ingredient of any productive system. Wage stabilization is an essential element of economic stabilization during emergency conditions.

The Department's civil and defense mobilization planning programs are designed to develop at the local level a maximum readiness for efficient utilization of manpower and enforcement of wage stabilization provisions, when needed, to permit the country to survive emergencies that it might face while at the same time insuring that effective organization and controls exist for the proper management of these vital programs at all higher levels of Government.

1962 accomplishments

The Department of Labor, during the past year, developed a plan for the tentative preassignment of members of the labor force to task groups. These task forces consist of workers accustomed to working together and familiar with each others' skills. The members of the task forces would be able to know, in advance of an attack on the United States, the kinds of assignments they would be expected to carry out, the supervisors who would direct their work and the sources of materials, supplies and equipment they would need for their immediate civil defense assignments.

Task forces of construction workers in five Florida communities were initiated during fiscal year 1962. The establishment of such task forces was particularly desirable in Florida where they will have an opportunity to prove themselves in the types of peacetime emergency situations that frequently occur during hurricane seasons. Similar task forces previously initiated in Tallahassee, Fla., and Allentown, Pa., were further developed. In anticipation of an expanded program in 1963, a training program was initiated for selected Department of Labor field representatives, working with local joint apprenticeship committees, who will be responsible for development of task forces of construction workers throughout the United States.

The Department has identified skills essential to civil defense duties and is developing staffing patterns for services commonly found in civil defense organizations at the operating level. Such staffing patterns have been completed for shelter management, radiological detection, and welfare services. These staffing patterns, coupled with the Department's skill survey techniques, are essential elements of a method for determining the relative manpower resources of a community to meet estimated civil defense requirements. An application of this approach is currently being tried in Spokane, Wash.

Forty-four State employment security agencies completed emergency manuals of operations containing procedures to be followed by their operating staffs in the emergency management of manpower. Survey materials were developed for use in testing emergency readiness of local manpower offices to carry out their emergency assignments. These questionnaires when tested in eight communities throughout the country provided substantial information about strengths and weaknesses in the current state of manpower mobilization readiness of these communities.

The Department is developing a plan for imposing maximum manpower controls in the event of an extreme emergency. Preliminary plans for the utilization of youth in an emergency have been drafted for further consideration by experts in this field. The Department has worked closely with other agencies having manpower responsibilities which rely upon or affect those of the Department. Extensive asistance was rendered the Office of Emergency Planning in the development and explanation of the manpower aspects of the comprehensive program for survival of government and management of resources.

Statistical materials have been added to the library of data at the National Resources Evaluation Center. These data now include detailed information on 50 occupations for standard metropolitan areas so that in an emergency basic data will be available for a quick evaluation of probable surviving manpower resources by State and region. In addition, employment data by industry are being developed for inclusion at NREC to permit equally rapid analysis

of the surviving labor force in accordance with its industry attachment. Further studies were made of the probable productivity characteristics of the labor force in the weeks immediately following an attack on the United States.

Considerable progress was made toward developing wage stabilization programs, and about half of the designated field representatives of the Department received initial training in the application of such measures in the event of an emergency.

Proposals for 1963

The Department in 1963 proposes to expand the task force plan to cover all activities, including construction, which can be similarly organized for survival work, and help install the plan in 50 additional communities, 1 in each State. Local offices of the employment service will be trained in applying the procedures provided for in the State emergency manuals of operations. There is need for improving procedures for the expeditious recruitment and uitilization of women and teenagers not part of the preattack labor force. A plan for compensation payments for injury or death of authorized civil defense workers will be developed for emergency use. Plans for an equitable and effective procedure for assignment of manpower, if required in an extreme emergency, will be considered. State employment security agencies should be provided with more detailed information on the kinds of labor market controls to be used under varying circumstances.

Material on file at the National Resources Evaluation Center will be augmented and updated to reflect better information available from the 1960 census. Further information will be obtained on the probable productivity of the surviving labor force in order that those responsible for the determination of essential programs may have a better idea of what manpower resources will be needed in the postattack period.

Wage and salary stabilization plans and operating procedures, together with labor-management relations programs for effectively minimizing disputes in an emergency, will be thoroughly reviewed and coordinated with price control programs developed by OEP, and training programs will be expanded so that wage stabilization programs will be effectively enforced in the field in the event of an emergency.

These are essential programs for effective emergency operations.

Budget request for fiscal year 1963

Funds requested will permit the 85 State employees presently assigned by State employment security agencies to mobilization planning activities to continue their work in this field, shifting from emphasis on development of programs to the completion and installation of specific plans such as task forces, thereby strengthening local emergency readiness capability. The remaining funds proposed for civil and defense mobilization planning by the Department of Labor will maintain approximately the same number of personnel presently assigned to these planning activities in accordance with the specialized programs identified above.

Of the total $1,285,000 requested, $350,000 would support the expansion of task forces to 50 additional communities. In fiscal year 1962, only $17,000 was spent on this aspect of defense readiness planning. State employment security agencies would receive $650,000 in place of $593,000 available to them in fiscal year 1962 for emergency readiness planning. The remaining expenditures would be about the same as for fiscal year 1962, except for central coordination in the Office of the Secretary which would be curtailed from $124,000 to $96,000 in 1963.

Effect of House action

If the Department were allocated $978,348, the same amount as that available to it from delegate agencies funds in fiscal year 1962, the overall program would have to be adjusted substantially. The rate of expansion of the task force program would be reduced in half. Funds available to State employment security agencies for completion of emergency plans and training of local office per-

sonnel in emergency procedures would be reduced to $350,000, making total funds available to State employment security agencies about one-fourth less than funds available to them in fiscal year 1962. The equivalent of about 20 employees would have to be reassigned elsewhere. Some of the personnel currently engaged in civil and defense mobilization planning activities at the national Office level would also have to be reassigned.

A great deal of time and effort have been expended in the recruitment and training of the civil and defense mobilization planning staff already on the job in Washington, in the field, and in the State employment security agencies. Insofar as possible, these personnel should be continued in their present activities in accordance with the budget needs of the essential programs briefly identified above for fiscal year 1963.

Civil Defense and Defense Mobilization Functions

TREASURY DEPARTMENT

During the fiscal year 1962, the Office of Emergency Planning provided $67,363 to finance eight positions and related expenses on a part-year basis. The annual cost of financing the program on the same basis would have been $99,500. However, it is believed that the Treasury's responsibilities can be discharged during the fiscal year 1963 with a minimum of $80,000, which will provide for the continuation of the present staff of six employees.

The Treasury Department is responsible for the development of policies, plans, and procedures for the performance of emergency functions which include (1) emergency stabilization aspects of the monetary credit, and financial system; (2) emergency collection of revenue; (3) enforcement of emergency banking regulations; (4) supervision of the Federal depository system; (5) direction of transactions in Government securities under emergency conditions; (6) recommendations on tax and debt policies; (7) participation in financial arrangements with foreign governments; (8) regulation of foreign assets in this country and foreign financial dealings; (9) emergency procedures for the manufacture, issuance, and redemption of coin and currency; (10) emergency systems for the issuance and payment of Treasury checks, (11) maintenance of the Central Government accounting system; (12) emergency administration of customs laws, navigation laws, tax laws, laws governing import, manufacture, and distribution of narcotics, and laws on control of alcohol, alcoholic beverages, and tobacco; (13) suppressing counterfeiting and forgery of Government securities; (14) protection of the President and Vice President under attack conditions; (15) granting of loans for the expansion of productive capacity for essential materials; and (16) in cooperation with the Department of Defense, provision for port security, search and rescue on the high seas, aids to maritime navigation, and enforcement of various marine inspection laws, as required in an emergency. The Department is responsible for the coordination of such emergency plans and preparedness programs with other departments and agencies and with the Office of Emergency Planning.

The emergency preparedness program is designed to provide a state of readiness for the continuity of essential emergency operations of the Department, with respect to all conditions of national emergency including an attack on the United States. It is essential that emergency preparedness plans are continually coordinated, reviewed, and updated in light of various changing conditions and that orientation, training, and briefings are conducted to keep top level officials informed of the substantive plans, as well as the plans for relocation.

Accomplishments, 1962

Emergency banking regulations have been sent to over 20,000 National and State banks, mutual savings banks and savings and loan associations; plans have been developed for the field bank examining staff of the Comptroller of the Currency to assist banks in postattack operations; Federal Reserve banks have been authorized and instructed to perform emergency functions to main-

tain the banking, monetary, and financial accounting system until Federal control can be reestablished; emergency instructions have been furnished to all Federal agencies for whom checks are issued; plans have been developed for meeting the requirement for currency and coin in a postattack economy; plans have been developed for continuing revenue collections and customs controls; authority has been delegated to bureau heads to take any action that the Secretary is authorized to take and to redelegate such authority; emergency relocation sites have been designated and key officials given emergency assignments.

Proposed accomplishments, 1963

Unclassified projects include the participation in an interagency study to develop emergency plans dealing with the problem of loss sharing; development of standby legislation that would be required in a postattack period, such as the suspension of certain reserve requirements of Federal Reserve member banks to encourage subscriptions for U.S. securities; drafting regulations providing for the relief of owners of U.S. securities destroyed or made inaccessible as a result of enemy attack; development of instructions under which relief will be granted banks whose U.S. securities are destroyed or made inaccessible due to enemy attack; participation in an interagency study to review existing legislative credit guarantee authority to determine emergency use and requirements; review of foreign assets control plans; review periodically the progress of commercial banks in emergency preparedness; emergency check issuance procedures will be coordinated with other Federal agencies; and participate with Office of Emergency Planning in economic stabilization and other preparedness programs.

Small Business Administration

Salaries and expenses:

1962 estimate	$16,200
1963 estimate	42,000

Washington staff (three positions)

The SBA has the responsibility for developing plans for adapting its program to emergency conditions. By Executive order the Administrator has been delegated rsponsibility to provide programs to insure the continuity of the agency to continue in an emergency its functions immediately essential to the survival of SBA and its employees; to provide additional essential functions as dictated by an emergency situation; to support the national defense program; and to resume normal functions that were suspended during an emergency.

NREC staff (one professional and one secretary)

The Small Business representative to the National Resource Evaluation Center integrates into the national damage assessment system the date required to develop an estimate of postattack damage to Small Business Administration personnel, facilities, and materiel.

1962 Accomplishments

Completed planning and instituted training to assure continuity of the agency's operation during emergency conditions and to enable the agency to resume normal functions that were suspended during the emergency.

Supplied staff support to the National Resource Evaluation Center in connection with the facility inventory of small plants.

Proposed Accomplishments for 1963

Continue staff support to NREC so as to update and maintain small business production facilities information and to maintain on a decentralized basis similar information in each SBA field office.

Develop detailed plans and procedures to enable the Small Business Administration to serve as a prime contractor to small business in defense contracts in a postattack situation.

Veterans' Administration

Salaries and expenses, representation at NREC:

1962 estimate	$16,700
1963 estimate	17,000

Funds are requested, as in previous years, for the VA representative to the National Resources Evaluation Center. His function is to integrate into the national damage assessment system the data required to develop an estimate of postattack damage to VA personnel and facilities (hospitals, medical personnel, medical stocks, etc.). He coordinates the development of VA requirements in consideration of the effects of hypothetical or actual nuclear attack. Also, he has special responsibilities for developing data and techniques required for evaluating the effects of massive attacks on continuity of Government; and he serves as Assistant to the Director of the Resources Data Division of NREC.

Post Office

Salaries and expenses, program planning:

1962 estimate	$11,000
1963 estimate	11,000

The $11,000 requested is for one man who is responsible for planning and programing the national registration program concerned with registering persons and families for the purpose of receiving and answering welfare inquiries and reuniting families in civil defense emergencies (Executive Order 11002, sec. 2(a)). The Post Office Department has absorbed considerable costs for conducting civil defense and defense mobilization activities where these activities are reasonably interpreted as coming within the Department's statutory responsibility.

Accomplishments, 1962

A technical manual covering all aspects of the postal registration and information program was prepared and distributed in September 1961 to postal operating officials. Copies were also furnished to appropriate State and local officials.

Separate detailed instructions were prepared and furnished all postmasters concerning the actions and procedures applicable at post office level with regard to storage, issuance, completion, and collection of the emergency change of address and safety notification cards now stored at every post office, station, and branch.

An inventory was initiated and completed of the emergency change of address cards and the safety notification cards maintained in ready standby storage at all post offices (about 39,000 points). Replacements were provided to remedy any deficiencies noted.

The selection of postal concentration center-central postal directory locations was commenced and 86 primary locations plus 1 or more alternates for each have been selected to date covering 47 States. While some selections are subject to revision, the entire locating program may be regarded as substantially complete.

Proposed accomplishments for 1963

Preassign all post offices in the country to specific postal concentration center-central postal directory locations, both for receipt and dispatch of mails and for representation in central postal directories in the event an attack necessitates such actions. The selection of postal concentration center-central postal directory locations and assignment of offices have been adapted to existing highly developed mail routing systems offering maximum flexibility so that emergency operations would continue to function with minimum postattack special arrangements.

Complete the selection of buildings in which to house prospective postal concentration center-central postal directories, the designation of postmasters to head them, and cadres to staff them.

To develop a training program for central postal directory personnel through official training channels which currently extends to 500 post offices. This will be primarily concerned with training of cadre personnel in central postal directory procedures and in related welfare support activities.

To educate and instruct postmasters and personnel at every post office in the procedures required at the local level with regard to issuance, completion, and collection of emergency forms, and welfare support activities.

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COMMUNICATIONS

Senator MAGNUSON. In closing this session, let me place in the record letters received by the subcommittee on the subject of OEP appropriations.

(The letters referred to follow:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., August 1, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: One of the important programs of the Office of Emergency Planning is known as the comprehensive program for survival of Government and management of resources. This program is based on the concept that the war powers of the Federal Government are supreme and therefore it is a primary objective of the Federal Government to plan for and develop a Federal capability to control operations for survival involving more than one State. Also there is a need for a working partnership between government and community leaders at all levels to achieve national preparedness.

In limited or conventional war, the Federal Government will act to control the economy as the national interest may require. In the event of nuclear attack, however, we must be prepared for a temporary breakdown of Federal control in some geographical areas. In those instances, citizens will necessarily look to their Governor or their mayor not only to maintain law and order but to conserve and use surviving resources wisely—looking toward recovery and restoration of the total national economy. This will require immediate and forceful action in functional areas heretofore exclusively controlled by the Federal Government. In taking such action, State and local governments will carry out Federal as well as State laws to achieve national objectives. In such cases, Federal control will be reestablished as soon as possible.

On the concepts stated above, the Office of Emergency Planning has developed and presented to all of the States of the Nation the comprehensive program. This was done through eight regional conferences throughout the country, to which were invited Governors, mayors, State and city government officials and leaders of the business communities.

The Director of the Office of Emergency Planning, Hon. Edward A. McDermott, has placed our mutual friend, Mr. Charles S. Brewton, Assistant Director of OEP, in active charge of the development and effectuation of the whole program. The success of this comprehensive planning effort, which is the first effort for bringing together all of the unilateral planning which has been done in the past several years by individual Federal and State Governments and by individual industries, is pointed up in the attached summary report of regional conferences. It is noteworthy, I think, that outstanding Governors throughout the country, including our own Gov. Al Rosellini, have issued commendatory statements on this effort of OEP. Governor Rosellini's statement appears on page 10 of the summary report.

Mr. Brewton and I, knowing of your profound interest in transportation and the whole question of national preparedness, feel that this outstanding program and effort by OEP will be of interest and value to you in that the program includes the bringing together of all of the planning for the control and use of the transportation complex of the Nation in case of emergency. The program provides for establishment, in each State, of a Transportation Task Force composed of the regularly constituted State and local level officials having transportation responsibilities and outstanding industry members of the various modes of transportation. Also included among the task force members are regional representatives of the various Federal Government transport agencies.

In closing, may I point out that the comprehensive program has been widely acclaimed, not only in our own State of Washington but also throughout the country. State emergency planning directors have already been appointed by the Governors of 47 States.

It is this type of activity for which the Office of Emergency Planning seeks the $3 million postattack planning item in its appropriation request for fiscal year 1963.

As always, you have my very best regards and good wishes.

Sincerely,

PAUL REVELLE.

GOVERNORS' CONFERENCE,
Chicago, Ill., July 11, 1962.

Hon. CARL HAYDEN,
Chairman, Senate Appropriations Committee,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR: It is my pleasure to transmit to you the resolution on civil defense as adopted by the 54th annual meeting of the Governors' Conference at Hershey, Pa., on July 2, 1962.

Pursuant to the terms of the resolution, there is also enclosed copy of the report of the Committee on Civil Defense as adopted by the Governors' conference.

With kindest regards, I am,
Sincerely,

BREVARD CRIHFIELD, *Secretary.*

RESOLUTION ADOPTED BY THE GOVERNORS' CONFERENCE, 54TH ANNUAL MEETING, HERSHEY, PA., JULY 2, 1962

CIVIL DEFENSE

Be it resolved by the Governors' conference, That the report of the Committee on Civil Defense be adopted and that a copy thereof, together with this resolution be transmitted to the President of the United States with the recommendation that a special communication be sent to the Congress of the United States emphasizing the continued urgency of the proposed Federal shelter incentive program and urging its enactment; and be it further

Resolved, That the report of the Committee on Civil Defense be similarly transmitted to the chairman of the Armed Service Committees and of the Appropriations Committees of the House and Senate of the U.S. Congress with the recommendation that favorable action on the President's request for authorizing legislation and appropriations for civil defense be promptly taken; and be it further

Resolved, That each State, to the extent it has not already done so, should—

(*a*) Develop procedures and strengthen its organization to insure that applications for Federal aid are promptly processed and coordinated at State level, that advice and assistance are furnished to local jurisdictions on all aspects of their responsibilities under the Federal program, and that State guidance is promulgated concerning planning and training for the ultilization of all group and community shelters financed in whole or in part with public funds;

(*b*) Exempt fallout shelters from increased property tax assessment;

(*c*) Provide group shelter protection for the occupants of all State-owned buildings, as well as assist and encourage local jurisdictions to provide such shelter in public buildings;

(*d*) To the extent feasible, provide financial incentives, in addition to those offered by the Federal Government, for the construction of group shelters by schools, universities, and other nonprofit institutions;

(*e*) Establish civil and criminal penalties for sellers and builders of shelters which are below civil defense standards and which are sold or built without prior notification to the buyer as to the substandard characteristics;

(*f*) Modify, as necessary, State and local laws and regulations concerning building codes so as to permit fallout shelter construction in accordance with standards of effective shielding established by the Federal Government;

(*g*) Provide on a statewide basis advice, assistance and other appropriate incentives for home, group, and community shelter builders;

(*h*) Insure the provision of fallout-protected emergency operating facilities for essential elements of State and local government;

(*i*) In cooperation with the Federal Government, augment existing early warning facilities to insure adequate warning coverage throughout the State;

(*j*) Establish State (home) guard forces, at least in cadre form;

(*k*) Cooperate with the Federal Government in a program of studies, research, and general education in the area of postattack recovery and rehabilitation measures and procedures; and

(*l*) Encourage and assist local governments to support and assist in carrying out the Federal shelter incentive program; and be it further

Resolved, That the Committee on Civil Defense undertake a study of the problems of recovery and rehabilitation following a nuclear attack and report

to the 1963 annual meeting of the Governors' Conference as to the feasible steps which might be taken by all levels of government in cooperation with private institutions to strengthen our capacity as a nation not only to survive but to recover with all possible speed from any nuclear attack against us; and be it further

Resolved, That the name of the "Committee on Civil Defense" of the Governors' conference be changed henceforth to "Committee on Civil Defense and Postattack Recovery."

GOVERNORS' CONFERENCE,
FIFTY-FOURTH ANNUAL MEETING,
Hershey, Pa., July 1–4, 1962.

REPORT AND RESOLUTION, COMMITTEE ON CIVIL DEFENSE

The Governors of our 50 States have, at each of their recent annual meetings, recommended with an increasing sense of urgency a nationwide program of fallout protection.

We have urged such a program because we believed it to be a matter of the utmost importance to the safety and security of the individual citizen, to the strength and survival of the Nation and to the preservation of peace with freedom.

Our goal, a goal endorsed by President Kennedy in a communication to us last October, has been "to reach for fallout protection for every American as rapidly as possible." We, therefore, warmly support the proposed Federal program for a more effective civil defense, with its vital emphasis on fallout protection for all of our people.

As Governors, we share a primary responsibility for the safety and well-being of our people. As Governors we shall continue to do all that is within our ability to protect our citizens from the hazards of nuclear attack. Our success in this task, however, will be greatly determined by the quality and firmness of the leadership at the national level.

It is especially important that a long term and steadfast national commitment be made both to this goal of protection and to a purposeful program designed to achieve it.

With this objective in mind, your committee has cooperated with the Federal authorities in the development of such a program. On September 17, 1961, we met in Washington with Secretary McNamara and Assistant Secretary Pittman for a general discussion of civil defense matters. Following the meeting, we presented to the President and to Secretary McNamara a series of recommendations for action in a number of areas: Warning, evacuation, fallout protection, the preservation of law and order, the military forces, the stockpiling of food and medical supplies, postattack rehabilitation and public information. These recommendations were transmitted also to all Governors.

In November, the New York State Legislature, in extraordinary session, adopted legislation establishing a State shelter incentive program.

On December 11, we met in New York City with Deputy Secretary of Defense Roswell Gilpatric to receive an advance briefing on the proposed new Federal shelter incentive program. At the heart of this program is a shelter incentive proposal which would by incentive payments induce schools, hospitals, and other welfare organizations to incorporate fallout protection in buildings they occupy.

On December 14, following release of the Federal program, your committee issued a statement to all Governors, and to the press, endorsing the Federal proposal and pointing out that an effective civil defense, "with its primary emphasis on a group, community, and family shelter program, will call for a cooperative effort by every level of government, by all of our institutions—business and nonprofit—and by every citizen."

Embodied in the committee's statement was a series of 12 recommendations for supporting actions by States and local governments. A majority of the States have already responded to a number of these recommendations with implementing measures. We urge that the 1962 Governors' Conference also register its endorsement of these recommendations.

We understand that the Federal shelter incentive program, with its accompanying fund authorization, is still awaiting action by the Congress. Indeed, the Armed Services Committees of neither the House of Representatives nor the U.S. Senate, before whom the essential authorizing legislation is pending, have

scheduled hearings or taken any other action to advance President Kennedy's civil defense program.

While action at the State level is a necessary ingredient in any effective civil defense effort, the goal of truly nationwide protection cannot be achieved without a meaningful Federal program. We, therefore, wish to urge the President and the Congress to give this proposed Federal shelter incentive and civil defense program their full and vigorous support.

The fact that, at the level of the Federal Government, the Secretary of Defense has been assigned responsibility for aspects of civil defense, while all matters relating to recovery and rehabilitation following a nuclear attack remain the responsibility of the Director of the Office of Emergency Planning, has given rise to a considerable degree of confusion and concern at State and local levels.

Both Federal agencies have their regional organizations. Both are in contact with State and local officials. And both have programs of action which in many States must be handled by a single organization, charged with both civil defense and emergency planning responsibilities.

Your committee recognizes that the situation thus created poses serious administrative problems for our States and communities. However, it is scarcely a year since the President first announced this new alinement of Federal responsibilities. The past 12 months have been largely a period of reorganization and reorientation for both Federal agencies. Duplications and overlapping functions are still being sorted out, and the respective roles of the two agencies are now being clarified. Moreover, there is now evidence of far more vigorous and effective Federal action in the fields of both civil defense and post-attack recovery than has been the case for many years past. In view of all the foregoing considerations, it is our belief that the 1962 Governors' Conference should urge all States to realine or reorient their own internal organization as necessary to insure a maximum of coordination and support for both the Office of Emergency Planning and the civil defense elements of the Department of Defense, in the development and implementation of their respective action programs. Your committee plans to keep this matter under continuing review over the coming months and to offer additional comments and recommendations at the 1963 Governors' Conference.

As we continue our study of the problems of civil defense in a nuclear age, it is increasingly clear that much work remains to be done to assure the speedy recovery of our Nation and its institutions following any attack. It is of first importance that we plan in advance of any attack how the surviving resources of people, equipment, material, and services can be most effectively and promptly mobilized for the Nation's welfare. Recovery and rehabilitation after a nuclear thrust against us is not an insoluble problem. The real challenge is to apply the knowledge we already have not only as to how to minimize the casualties and disruption from the attack itself but as to the measures which can impart speed and success to our efforts to make an early and effective recovery as a nation.

The present lack of adequate national planning for post-attack recovery is a serious gap in our nonmilitary defense. We recommend that the several states make a special effort in the coming year to initiate the studies and the plans which are needed on the local level to ascertain the best means by which specific communities can make the most effective recovery from any possible nuclear attack. To underscore the new and affirmative attention which we believe should be given by the committee on civil defense to all aspects of the recovery and rehabilitation problem, we believe that the phrase "post-attack recovery" should be added next year to the official name of this committee.

Now, therefore, we urge the adoption by this 1962 Governors' Conference of the following resolutions:

1. *Resolved*, That the report of the committee on civil defense and the resolutions recommended by it be adopted and that a copy thereof be transmitted by the chairman of the conference to the President of the United States with the recommendation that a special communication be sent to the Congress of the United States emphasizing the continued urgency of the proposed Federal shelter incentive program and urging its enactment;

2. *Further resolved*, That the report of the committee on civil defense and the resolutions urged by it be similarly transmitted to the chairmen of the Armed Services Committees and of the Appropriation Committees of the House and Senate of the U.S. Congress with the recommendation that favorable action on the President's request for authorizing legislation and appropriations for civil defense be promptly taken:

3. *Further resolved*, That each State, to the extent it has not already done so, should—

(*a*) Develop procedures and strengthen its organization to insure that applications for Federal aid are promptly processed and coordinated at State level, that advice and assistance is furnished to local jurisdiction on all aspects of their responsibilities under the Federal program, and that State guidance is promulgated concerning planning and training for the utilization of all group and community shelters financed in whole or in part with public funds;

(*b*) Exempt fallout shelters from increased property tax assessment;

(*c*) Provide group shelter protection for the occupants of all State-owned buildings as well as assist and encourage local jurisdictions to provide such shelter in public buildings;

(*d*) To the extent feasible, provide financial incentives, in addition to those offered by the Federal Government, for the construction of group shelters by schools, universities, and other nonprofit institutions;

(*e*) Establish civil and criminal penalties for sellers and builders of shelters which are below civil defense standards and which are sold or built without prior notification to the buyer as to the substandard characteristics;

(*f*) Modify, as necessary, State and local laws and regulations concerning building codes so as to permit fallout shelter construction in accordance with standards of effective shielding established by the Federal Government;

(*g*) Provide on a statewide basis advice, assistance, and other appropriate incentives for home, group, and community shelter builders;

(*h*) Insure the provision of fallout-protected emergency operating facilities for essential elements of State and local governments;

(*i*) In cooperation with the Federal Government, augment existing early warning facilities to insure adequate warning coverage throughout the State;

(*j*) Establish State (home) Guard forces, at least in cadre form;

(*k*) Cooperate with the Federal Government in a program of studies, research, and general education in the area of postattack recovery and rehabilitation measures and procedures; and

(*l*) Encourage and assist local governments to support and assist in carrying out the Federal shelter incentive program;

4. *Further resolved*, That the committee on civil defense undertake a study of the problems of recovery and rehabilitation following a nuclear attack and report to the 1963 Governors' conference as to the feasible steps which might be taken by all levels of government in cooperation with private institutions to strengthen our capacity as a Nation not only to survive but to recover with all possible speed from any nuclear attack against us; and

5. *Further resolved*, That the name of the "committee on civil defense" of the Governors' conference be changed henceforth to "committee on civil defense and postattack recovery."

NELSON A. ROCKEFELLER, *Chairman.*
FARRIS BRYANT, *Vice Chairman.*
ELMER L. ANDERSEN.
WILLIAM W. BARRON.
EDMUND G. BROWN.
GEORGE D. CLYDE.
JOHN A. NOTTE, JR.
JOHN A. VOLPE.
ALBERT D. ROSELLINI.
JIMMIE DAVIS.
S. ERNEST VANDIVER.

MILLERS' NATIONAL FEDERATION,
Washington, D.C., August 3, 1962.

Hon. CARL HAYDEN,
Subcommittee on Department of Agriculture and Related Agencies, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR SENATOR HAYDEN: The Millers' National Federation last year began developing a full-scale defense planning program for the entire U.S. flour milling industry. Our reasons for doing so and some of our activities are set forth in the attached statement.

Because the success of our planning depends to a great extent on guidance and leadership from the Federal Government, we have watched with interest the progress of the appropriations requests of several agencies and departments.

Even though your subcommittee may not deal with all the various requests, we want to take this opportunity to give you our views.

Sincerely yours,

C. L. MAST, Jr., *President.*

STATEMENT BY MILLERS' NATIONAL FEDERATION ON CIVIL DEFENSE APPROPRIATIONS

This presentation is made in behalf of the Millers' National Federation, the national trade association of the wheat flour milling industry, whose membership represents in excess of 90 percent of the total wheat flour production in the United States.

This statement is directed particularly toward the following Department of Agriculture requests for amended appropriations:

(*a*) The Agricultural Marketing Service project statement, item 3a, "food management, planning, and related civil defense activities," the original estimate being $50,000 and the requested increase of $150,000 to bring it to a total 1963 estimate of $200,000;

(*b*) The Agricultural Stabilization and Conservation Service, a request of an increase in the budget of $300,000 to "provide for a full-time liaison representative and secretary at regional headquarters, $100,000; to provide for assistance to the USDA State defense boards, $200,000; this being an increase in the project statement for defense liaison and management originally $83,000, the increase to be $300,000 making the amended estimate $383,000."

Early in September 1961, leaders in the industry expressed the feeling that the flour milling industry, as a major food industry, had a responsibility to be prepared and in position to operate in case of a nuclear attack upon the Nation. This matter was further discussed at a meeting of the executive committee of the Millers' National Federation on September 8, 1961, at which time the emergency planning committee was appointed, with Malcolm B. McDonald, of International Milling Co., Minneapolis, Minn., as chairman and with six other members representing all areas and all phases of flour milling in the United States.

This committee, meeting on October 4, 1961, moved quickly to implement the program outlined, and staff members of the federation in late October spent several days in Washington conferring with the appropriate representatives of the Department of Agriculture, the Food and Drug Administration, the Department of Defense, and the Department of Commerce.

After detailed studies of the Federal Civil Defense Act of 1950, the Executive orders implementing this act, the "national plan" and the various detailed breakdowns of the national plan as put together by the Office of Civil and Defense Mobilization and the consultations with those in Government directly charged with the responsibilities in connection with civil defense, this industry agreed that this responsibility on the part of the industry should be broken down as follows:

(*a*) Corporate responsibility;

(*b*) Plant level preparation;

(*c*) Technical problems of radioactive contamination, chemical and biological attack; and

(*d*) Operating problems under Government emergency regulations.

The first subdivision of this program—corporate responsibility—while crucial to the industry itself, has very little interest to the community at large. The other three subdivisions, however, are a most important part of the civil defense effort and they have been undertaken by the industry recognizing that the odds are very great that the programs and preparations involved may never have to be put into effect. It recognizes further that, if they are needed, the need will be desperate, there will not be time to then make preparations, and the industry can be and must be in a position to contribute quickly and definitely to the problem of feeding the people following any such attack.

Accordingly, a series of bulletins were prepared, 11 in number to date with additional bulletins being in process, dealing with the four general subjects listed. These bulletins were an attempt on the part of the industry and fully qualified technical consultants used in the preparation of the bulletins to take an impossibly complex subject and reduce it to terms which the average, intelligent layman can understand and make effective.

The plant level preparation assignment was dealt with in such a way as to inform the industry as to the probable situation that would exist in the event

of an attack, the types and degrees of contamination that might be expected, the necessary procedures to meet those conditions, to clean up any contamination and to be in position to quickly resume processing of wheat.

The technical problems of radioactive contamination, chemical and biological attack were dealt with similarly.

In connection with these two divisions arrangements were made for a nuclear defense school under the joint sponsorship of the Millers' National Federation and Kansas State University at Manhattan, Kans., for 3-day courses directed particularly to cereal chemist and operating personnel of flour mills. These schools were of necessity limited to 40 because of the nature of the instruction that was given. The first was held in April of this year; the second session is scheduled for September 5, 6, and 7 of 1962. The schools have had the most complete cooperation on the part of the university, on the part of the industry, and on the part of the Government. It is expected that they will be continued until several hundred have had the opportunity of taking the instruction since there are over 200 operating flour mills in the United States and it is most important that at least 2 individuals of each of these plants have this type of training.

The lines of authority and responsibility as outlined in the series of Executive orders signed February 16, 1962, made little change so far as responsibilities for food are concerned. This is a direct responsibility of the Department of Agriculture and of the Food and Drug Administration of the Deaprtment of Health, Education, and Welfare.

This industry recognizes the almost insurmountable obstacles that will be confronted in the event of an attack and the training and the general program is directed toward supplementing the authorities and responsibilities of the appropriate governmental agencies concerned.

In the matter of the control of foodstuffs down to the wholesale level, this is a direct responsibility of Agriculture. The plan of operation which has been set forth includes regional offices, USDA State defense boards, USDA county defense boards, all of which in an emergency are faced with massive responsibilities that require immediate and positive decisions and handling. The major load has been placed on the Agricultural Marketing Service and the Agricultural Stabilization and Conservation Service. The chairman of the ASCS committee is the State chairman of the USDA State defense board; the office manager of the county ASCS office is the chairman of the USDA county defense board.

It has been our experience that these gentlemen simply have not had the staff nor the time to fully study and understand the responsibility of duties involved in these assignments. It seems to us most important that, at least at the State level, the chairman of the USDA State Defense Board should have an assistant whose first and primary responsibility is civil defense and the problems which would be faced by his office in event of an emergency. Only in very few instances is such possible under the present arrangement and under the present staffing.

If the Congress believes in a civil defense program—and we believe it unquestionably does—if the administration believes that the situation justifies that type of planning—and we are sure it does—certainly the quite modest request for additional appropriations for setting up this type of an organization for handling the food supplies of the country should be given further, and we sincerely hope, favorable consideration.

The emergency food reserve program in connection with which there is no request for additional appropriations does include authorization to utilize some $30 million of presently existing departmental funds in a pilot program. These pilot programs, No's. 1 and 2, merely authorize the building up the pipeline in connection with current distributions of surplus foods in order to make them available in the event of an emergency. We doubt that there is any major opposition to this as a prudent testing of procedures that may be most important in a time of emergency.

Pilot program No. 3 would involve the relocation of approximately 24 million bushels of CCC wheat stocks which move is viewed with known skepticism by the milling industry. We feel the necessity of transferring wheat stocks is minimized by the fact that the wheat flour milling industry has an effective program in operation for the quick supplying of processed wheat. The Department has wheat stocks available at most of the active milling plants in the United States so that dispersal is well assured. Our skepticism includes the practicability of, under emergency conditions, making this program available as a source of emergency feeding. However, the amount involved is not large, the expense

involved is not of a major nature, and possibly it should be considered as another step to meet emergency conditions, the extent of which we are not in position to evaluate.

Several other Federal agencies have been directed to carry out certain civil defense and emergency planning functions. For example, the Food and Drug Administration has the awesome responsibility of insuring that the U.S. food supply is safe for consumption following a nuclear attack. The Office of Civil Defense, the Interstate Commerce Commission, and several other agencies also have responsibilities which must be carried out if business is to invest valuable time and money in voluntary defense planning in the national interest.

This industry has given long, detailed, and serious consideration to the situation that would confront this country in the event of such a nuclear attack. It feels the matter of preparation must be done in advance if it is to be in any way effective or efficient. We are anxious to prepare our industry to contribute to the maximum extent possible to solving the problems that would be immediately upon us. To the extent these various appropriation requests come before you, we sincerely hope you will give them careful and favorable consideration.

Attached is a full file of the bulletins to date dealing with nuclear defense used as a handbook by the industry and in the hands of every flour mill in the United States.

NATIONAL AERONAUTICS AND SPACE COUNCIL

STATEMENT OF DR. E. C. WELSH, SECRETARY, ACCOMPANIED BY DR. JEROME B. WIESNER, DIRECTOR, OFFICE OF SCIENCE AND TECHNOLOGY

JUSTIFICATION OF ESTIMATES FOR FISCAL YEAR 1963

The National Aeronautics and Space Council requests an appropriation for fiscal year 1963 of $530,000, to meet salaries and other expenses of the Council staff.

The Council staff was activated in March 1961, when the President appointed, with the advice and consent of the Senate, an executive secretary. In April 1961, by amendment to the National Aeronautics and Space Act of 1958, the Council was located in the Executive Office of the President. Until August 17, 1961, the staff was funded, in a limited fashion, first from the President's emergency fund until July 1, and then from advances against its fiscal year 1962 appropriation request. On August 17, an appropriation of $320,000 for the Council staff became law. Then, on September 30, 1961, a supplemental appropriation was received in the amount of $225,000.

The supplemental of $225,000 was justified on the fact that the original submission had been made prior to the President's decision to accelerate substantially the space program in all of its aspects. Such expanded and accelerated program projected a significant increase in workload upon the Space Council and its staff.

While the Space Council and its staff have been very active during the approximately 9 months of operation, there has still not been sufficient experience to establish a clear pattern for manpower and other requirements. However, such experience as has been obtained gives indication that the fiscal year 1962 appropriation of $545,000 approximates the amount needed for salaries and other expenses, in light of the currently projected space program. In fact, as a result of estimates of nonrecurring costs for certain equipment, etc., and through the use of consultants for peakload projects, the appropriation required for fiscal year 1963 is reduced by $15,000 as compared with this fiscal year.

A total staff of about 32 is planned, including the executive secretary, aerospace assistants, other professional and clerical staff. The staff is under the supervision of the executive secretary, has the responsibility for preparing recommendations and taking other actions, through the Council, to advise and assist the President throughout the broad spectrum identified as aeronautic and space activities. In reference to the activities concerning which the Council is to advise and assist the President, the law specifies no limit to such activites, but does state that they will include the following:

"1. Survey all significant aeronautical and space activities including the policies, plans, programs, and accomplishments of all departments and agencies of the United States engaged in such activities;

"2. Develop a comprehensive program of aeronautical and space activities to be conducted by departments and agencies of the United States;

"3. Designate and fix responsibility for the direction of major aeronautical and space activities;

"4. Provide for effective cooperation among all departments and agencies of the United States engaged in aeronautical and space activities, and specify, in any case in which primary responsibility for any category of aeronautical and space activities has been assigned to any department or agency, which of those activities may be carried on concurrently by other departments or agencies; and

"5. Resolve differences arising among departments and agencies of the United States with respect to aeronautical and space activities under this act, including differences as to whether a particular project is an aeronautical and space activity."

In brief, the Council's functions include surveying policies, developing programs, designating responsibilities, providing cooperation, and resolving differences. Performance of these functions applies to all aeronautic and space

activities and to all departments and agencies of the Government engaged in such activities.

Some of the space areas in which staff members have responsibilities are communications, navigation, meteorology, manned military projects, manned nonmilitary projects, unmanned scientific explorations, booster and propulsion developments, employment of atomic energy, international relationships, legislative and budgetary changes, and Executive order preparation and modification.

To supplement the full-time work of the staff, funds are included to provide consultant services which will be required from time to time on specific projects. Provision is made in the estimates for necessary travel and for rental of motor vehicles on an as-needed basis. Provision is also made for transportation of things; rent, communication, and utilities; printing and reproduction; supplies and materials; equipment; personnel benefits; and other services.

NATIONAL AERONAUTICS AND SPACE COUNCIL—SALARIES AND EXPENSES

Personnel Compensation and Staffing.—$385,000 for 32 permanent positions distributed as follows:

	1962	1963
Permanent positions	32	32
Average employment	27	30

Summary statement on "Other objects": for 1963, $145,000

12 Personnel benefits, $27,600.—Includes contributions to retirement fund, $24,100; health benefits, $1,800; group insurance, $1,200; and FICA, $500.

21 Travel and transportation of persons, $40,000.—Includes funds for travel to space research and development sites for firsthand study by Council staff. Also includes funds for payment to GSA motor pool for hire of automobiles when needed for transportation of officials and staff of the Council on official business in the Washington area.

22 Transportation of things, $5,000.—Provides costs for shipment of supplies and materials and costs of moving household goods as provided by law.

23 Rent, communications, and utilities, $8,000.—For telephone services and equipment usage and other utilities as required. Also included are telegraph and penalty mail.

24 Printing and reproduction, $5,000.—Provides for printing and binding of reports, studies, and other publications as needed, and normal duplicating done on a commercial or reimbursable basis.

25 Other services, $42,400.—Provides $25,000 reimbursement to GSA for administrative services, and $17,400 for health room services, office machine repair, furniture repair, personnel security checks, commercial contracts, etc.

26 Supplies and materials, $5,000.—For office supplies and other work materials such as legislative bills, reports, enacted legislation, and periodicals.

31 Equipment, $12,000.—For office furniture and equipment, including such items as typewriters and calculators.

BUDGET REQUEST

Senator MAGNUSON. We will hear Dr. Welsh from the Space Council. This is the National Aeronautics and Space Council, of which you are the executive secretary.

Last year you had $545,000, and this year your budget is $530,000. The House approved your request, which amounts to a reduction of $15,000 from your fiscal 1962 request and appropriation.

Dr. WELSH. That is correct. It is exactly what we asked for this year.

Senator MAGNUSON. Do you have any further statement to make or discussion on the workings of the Council?

Dr. WELSH. No, sir. Only to respond to questions. I have a prepared statement to put in the record, if you wish it.

Senator MAGNUSON. Your letter and the statement will be inserted in the record.

(The statement referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
NATIONAL AERONAUTICS AND SPACE COUNCIL,
Washington, July 30, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of Independent Offices Appropriation Bill, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This acknowledges receipt of your letter of July 27, in which you inquire as to whether any changes are required in the House independent offices appropriation bill, so far as the National Aeronautics and Space Council is concerned.

I wish to advise that no changes are required or suggested. The House bill (H.R. 12711), contains on page 2, line 15, an amount of $530,000 which is exactly what I had requested in my presentation and testimony.

I plan to appear before your committee, as requested, at 10 o'clock on August 6.

Sincerely,

E. C. WELSH, *Executive Secretary.*

NATIONAL AERONAUTICS AND SPACE COUNCIL—FISCAL YEAR 1963

For fiscal 1963, request is made for an appropriation of $530,000 to meet the salaries and other expenses of the Council's staff. This amount is $15,000 less than the total requested and appropriated for fiscal year 1962.

The Council staff was activated in March 1961, when the President, with the advice and consent of the Senate, appointed Dr. E. C. Welsh as Executive Secretary. Initially, a small staff nucleus was funded from the President's emergency fund until July 1, and then from advances against its fiscal year 1962 appropriation request. On August 17, an appropriation of $320,000 for the Council staff became law. Then, on September 30, 1961, a supplemental appropriation was received in the amount of $225,000.

As of this date, actual appropriations for Space Council staff activity have been available for slightly less than a year. While there has been substantial accomplishment during the whole period since activation, there has not been sufficient experience to establish a clear pattern of manpower and other requirements. However, such experience as has been obtained gives indication that the fiscal year 1962 appropriations approximate the amount needed, in light of the currently projected space program. In fact, as a result of estimates of nonrecurring costs for certain equipment, etc., and through the assistance of consultants for peakloads or for special projects, the request for fiscal year 1963 is estimated at $530,000, as compared with $545,000 for fiscal year 1962. In order to get the maximum efficient use out of the requested funds, it is considered desirable to have flexibility in the use of such funds as between the various itemized objects, except in regard to the money requested for travel.

Of the approximately $365,000 identified as available for salaries during fiscal year 1962, the Council staff is currently obligated on an annual basis at about $275,000. This will build up gradually as top quality personnel develops. A total staff of about 32 is planned, including the Executive Secretary, aerospace assistants, and other professional and clerical staff. Provision is made in the estimates for necessary travel and for rental of motor vehicles on an as-needed basis. Provision is also made for transportation of things; rent, communication, and utilities; printing and reproduction; supplies and materials; equipment; personnel benefits; and other services.

The staff, under the supervision of the Executive Secretary, has been carrying out increasing responsibilities in advising and assisting the President in the broad area of aeronautic and space activities.

E. C. WELSH.

GENERAL STATEMENT

Senator MAGNUSON. Are there any questions from members of the committee?

Senator ALLOTT. I would like to know what you are doing.

Dr. WELSH. The Space Council is engaged in coordinating the activities of all the other agencies involved in space and aeronautics; handles questions of jurisdiction that may arise as between such agencies; and makes recommendations to the President on policy changes. As an illustration, the communication satellite policy of the President was drafted in a coordinated manner by our staff. Also, the communications satellite legislation, which was sent up by the President, was so drafted. We were instrumental in developing the budget program which was sent up last year for the expanded and accelerated space program. This included the decision to make the lunar trip in this decade.

Senator MAGNUSON. And the new authorization bill which has just been gotten through with.

Dr. WELSH. Yes.

TOTAL EMPLOYEES

Senator ALLOTT. How many employees do you have?

Dr. WELSH. Twenty-four now and we are planning on about 32. There was no staff at all when we activated the Council about a year ago.

Senator ALLOTT. You want to increase that from 24 to 32 this year?

Dr. WELSH. It is an incremental part of the growth. We started with zero and set a target of 32 and budgeted for 32, and figured we could work it out with $545,000, which we thought was necessary. Now we think we can do it for $530.000.

Senator ALLOTT. That is all I want.

LIAISON WITH OFFICE OF SCIENCE AND TECHNOLOGY

Senator MAGNUSON. As long as Dr. Wiesner is here, what is the liaison in this particular field of science and technology, which is his new shop? How do you work it?

Dr. WELSH. It is continuous. It is practically daily contact without overlapping. I do not go about hiring a series of scientists because he has them. If I want a study made then I discuss it with Dr. Wiesner, and he gets a panel to prepare a scientific study so I do not duplicate with him. We in the Council are involved in the overall coordination and policy in regard to space and aeronautics, across the board. Dr. Wiesner has the broad scientific job.

Senator MAGNUSON. But you both really render assistance and advice in the decisions of the White House?

Dr. WELSH. That is correct.

Senator MAGNUSON. Both of you?

Dr. WIESNER. Yes.

Dr. WELSH. That is correct.

Senator MAGNUSON. You are in a specialized field and Dr. Wiesner is in other fields.

Dr. WELSH. Yes.

Senator MAGNUSON. And in this too.

Dr. WIESNER. I might say we have had an unbelievably good working arrangement between the two of us. Dr. Welsh calls on me for technical problems and I call on him if there are technical problems broader than the scientific responsibilities I have.

Senator MAGNUSON. Do you think we should put oceanography in with these fellows too—so we have both space and depth?

Dr. WELSH. I certainly agree to its relative importance.

Senator ALLOTT. Then you would encompass his office, or functions in the field of his office, but he would not necessarily encompass the fields of your office.

Dr. WIESNER. That is right. In scientific matters we share the responsibility in the space field, but my responsibilities encompass all fields in Government science and technology, whereas his responsibility encompasses only half of it.

Dr. WELSH. Just space and aeronautics.

Dr. WIESNER. Because space and aeronautics is a very large part of our scientific program in dollar volume. What I estimate to be a $12 billion budget that we will be dealing with next year, I suppose space would be $5 billion of that.

Senator ELLENDER. Dr. Welsh, you say your office has been in existence for a year?

Dr. WELSH. A little over a year. I was appointed a year ago March. We had a budget for about a year.

Senator ELLENDER. And your purpose is to coordinate?

Dr. WELSH. Coordinate and make policy recommendations to the President on space and aeronautics matters and, of course, to do anything in those fields which the President asks us to do.

Senator ELLENDER. What is the purpose? Is it to prevent duplication and thereby save a little money?

Dr. WELSH. This is one of the purposes; yes, sir.

Senator ELLENDER. In the year you have been with it, how much have you saved the Government?

Dr. WELSH. I would not be able to judge.

WORK DUPLICATION

Senator ELLENDER. Have you been able to dispose of some of the agencies, or somebody in the agencies wherein there was duplication of work of other agencies?

Dr. WELSH. As far as getting into the internal operation of how many people they have in the other agency, the answer is "No." As far as getting into their budgets and reviewing them ahead of time to see that both NASA and Defense do not have the same projects or are duplicating the use of people and resources, we get into that.

Senator ELLENDER. To see they do not have the same what?

Dr. WELSH. The same projects.

Senator ELLENDER. But to what extent have you found any great duplication there?

Dr. WELSH. We found some duplication in some of the proposals that have come up, and when we have gone through them the duplication no longer exists, to the best of our knowledge. In budget and

planning proposals, for example, we just had sessions on communications satellite projects to see if the Defense Department and NASA were doing the same thing.

Senator ELLENDER. And you found no duplications?

Dr. WELSH. I did not say we found none, but by bringing them up and making them show whether there is any duplication, we have helped generate the policy decisions made that will eliminate duplication. It is difficult to see in a big area of this sort where you save a particular amount of money, because you do not know what the expenditures would have been if we had not gotten into the picture first.

Senator ELLENDER. That is the point I want to make. The fact that you are there to watch and make recommendations is a deterrent to duplication.

Dr. WELSH. We think so, and I think it is correct that we think so.

Senator MONRONEY. What part of your effort is devoted to defense, Dr. Wiesner, or military, and what part to the civilian participation in space?

Dr. WIESNER. I wonder if you would not prefer to hold that question until I have made my statement, because I will allude to some of this in the statement.

Senator MONRONEY. Yes.

Dr. WELSH. I think I should respond to some extent to say that as far as the National Aeronautics and Space Council is concerned, one member is the Secretary of Defense, one member is the Administrator of the NASA, one member is the Chairman of the Atomic Energy Commission, and one member is the Secretary of State. When we have a Council meeting they are all represented. We cannot get an exact percentage of how much is military, but we have space responsibility as far as Defense is concerned, just as much as we do for NASA.

Senator MAGNUSON. Anything further? Any further questions?

Senator MAGNUSON. Let's have Dr. Wiesner go ahead. Why don't you just stay here, Dr. Welsh, and we will hear from Dr. Wiesner?

OFFICE OF SCIENCE AND TECHNOLOGY

STATEMENT OF DR. JEROME B. WIESNER, DIRECTOR

HOUSE ACTION

Senator MAGNUSON. The House made appropriations of $700,000, which is $150,000 under the budget estimates. Dr. Wiesner wants to devote himself to that particular item and, as I said, we will put your letter, statement, and justifications in the record in full.

Dr. WIESNER. You do not want me to read it?

Senator MAGNUSON. I think you can highlight it because this is a new thing. The people are not new, but it is a new reorganization of the whole field of science and technology.

Dr. WIESNER. Yes. Why don't I say a few things since is it new?

Senator MAGNUSON. Yes.

(The letter, statement, and justifications referred to follow:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF SCIENCE AND TECHNOLOGY,
Washington, August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Appropriations Subcommittee,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: Your invitation of July 27 to appear before your subcommittee in connection with the proposed fiscal year 1963 budget of the Office of Science and Technology is indeed appreciated.

In further reply to your request, I believe that the public interest does require a change in H.R. 12711 that was reported July 27 to the House of Representatives by its Committee on Appropriations. Page 3, line 16, makes appropriations in the amount of $700,000 for the Office of Science and Technology. This represents a decrease of $150,000 from the $850,000 amount requested by the President. In my view, the new Office would be unable to carry out its new statutory functions with the effectiveness desired both by the President and by the Congress unless the original budget is approved.

I am enclosing with this letter a copy of my prepared testimony which I should like to submit on the occasion of the hearings scheduled for August 6. In this statement I have endeavored to clarify certain of the points which may not have been brought out in my testimony before the subcommittee of the House Committee on Appropriations.

I am looking forward very much to this opportunity to discuss this budget and to answer any questions which you or your committee may have.

Sincerely,

JEROME B. WIESNER.

STATEMENT OF DR. JEROME B. WIESNER

Mr. Chairman, members of the committee, I am pleased to respond to your invitation to appear before this committee to explain the fiscal year 1963 budget request for the new Office of Science and Technology.

The background leading to the creation of the Office of Science and Technology and a statement of its general functions are set forth in Reorganization Plan No. 2 of 1962, and the President's message of transmittal of March 29, 1962. We expect this plan to go a long way toward meeting the needs for stronger, permanent Presidential staff assistance cited last year by the Senate Subcommittee on National Policy Machinery, chaired by Senator Jackson.

As you know, the President requested $850,000 to cover salaries and expenses of this Office during this fiscal year. The House Appropriations Committee has reported out a budget of $700,000. I should like to make a few observations that may assist your consideration of the original budget estimate, particularly certain elements of that figure which may not have been brought out in my testimony before the House committee.

By way of background, the Office of Science and Technology was established to advise and assist the President on matters of national policy affected by or pertaining to science and technology. It is not an operating agency. Rather, the new Office was given statutory responsibility in a staff capacity to the President to evaluate the scientific and technical programs undertaken by all agencies of the Federal Government and to assure that science and technology are used most effectively for national security and the public interest. The special assistant to the President for science and technology previously provided all such assistance to the President, but attention was necessarily focused on particular scientific activities. Those evaluations had neither the comprehensiveness nor the continuity now required.

In the National Science Foundation Act of 1950, the Congress recognized the need for broad evaluation of Government science; that is, the achievement of coordinated Federal policies for the promotion of basic research and education in the sciences and the evaluation of scientific research programs undertaken by agencies of the Federal Government. Because the National Science Foundation has been an operating agency, an organizational equal with those agencies whose program it would coordinate, the provisions were never carried out in practice. The reorganization plan transferred these responsibilities to the OST, thus augmenting responsibilities discharged by the special assistant in the last fiscal year.

In the past, primary emphasis was placed by the special assistant on particular scientific problems directly related to national policy; for example, defense, space, and disarmament. While these problems will continue to occupy much of the attention of the new Office, we will, in addition, undertake a more systematic review and integration of federally supported research and development, as well as scientific and technical education programs. This matter of coordination has become increasingly significant as the R. & D. budget has grown, as science and technology have become more intimately involved in every agency's mission, and as the demand on our research resources draws almost to the limit of our available supply of highly trained manpower.

An important new responsibility of the Office of Science and Technology will be to facilitate communication with the Congress on scientific matters. One of the advantages of the new arrangement will be to have an appointed official of the executive branch—the Director of OST, who is nominated by the President with advice and consent of the Senate—able to provide the Congress with authoritative information on the administration's scientific policies and activities from an overall, rather than a fragmented, point of view. The relationship with the Congress is new and will require a period of experimentation to learn how to serve the Congress best.

Although not obliged by the reorganization plan to do so, the President intends to employ both the President's Science Advisory Committee and the Federal Council for Science and Technology as dual sources of advice through OST.

The PSAC, composed of 18 eminent scientists and engineers appointed by the President, is the source of independent advice from the scientific community in industry and the universities. The Federal Council, composed of policy ranks officials from Federal agencies having major programs of R. & D. and representing the Government scientific community, functions as a science subcabinet. As Director of OST, I shall serve as Chairman of the Council, thus facilitating its use as an important instrument both to develop facts on interagency programs and to exercise coordinating functions of the new Office.

Personnel of OST will assist me in carrying out the functions of the Office while simultaneously providing the necessary operating staff for the Federal Council, for PSAC, and for the consultants who we will continue to call upon to supplement resident expertise. These connections between OST, the Federal Council, and PSAC enormously multiply the effectiveness of a small staff in developing goals, assessing the quality of agency programs and exercising coordinating functions of the new Office. The staff serves to identify critical problems in the Federal program deserving of this Office's attention, collect and interpret facts, and make recommendations, particularly to translate the opportunities of science into action programs to be carried on within the relevant agencies.

Each of the 11 full-time technical staff members has responsibility for at least one of the broad areas of science and technology within the Government such as the life sciences, space, civilian technology, military technology, etc.,

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and serves as a link between the Director, the individual agencies and the consultants.

On the use of consultants: Because of the enormous spectrum of subject matter with which this Office must be concerned, covering as it does the full range of scientific inquiry involving both the physical and life sciences, the Office of the Special Assistant has previously depended on a consulting service of approximately 200 specialists throughout the country, drawn from universities and industry. While there is need to assemble scientific talent when a problem arises, the demand for the particular type of expertise ceases once the problem is solved. The mechanism of consultant use is ideally suited to this form of action. In this way it has been possible to operate with a small permanent staff and yet provide the President with the best available advice in almost any field of science. Furthermore, this extensive use of consultants makes available counsel from a group of outstanding scientists and engineers that it would not be possible to attract as permanent Federal employees.

With the creation of the Office of Science and Technology, the staff of the Office of the Special Assistant has been entirely transferred to the new Office, as were the consultant activities under the PSAC. The PSAC itself has been organizationally retained in the White House. Physically, the staff of the new Office including secretariat of PSAC and the Federal Council will remain in the same location in the Executive Office Building.

The character of the Office of Science and Technology and the scope and level of its activities projected in the $850,000 budget for fiscal year 1963 reflect the growing activities and benefit of experience of the past few years in the Office of the Special Assistant for Science and Technology, and will permit the strengthening of staff and consultant activities required to carry out the intent of the reorganization legislation.

In fiscal year 1962, a total of $651,000 was expended directly by the Office of the Special Assistant for Science and Technology. Of this amount, $573,000 was furnished from the White House special projects funds; $53,000 was provided by the National Science Foundation for work which the Office did in their behalf, corresponding to the transfer of a limited number of Science Foundation responsibilities to this Office (in fiscal year 1963 the completion of this transfer of responsibilities will occur as outlined by the President in his reorganization message on March 29, 1962). An additional $25,000 was provided from the President's emergency fund to make possible certain urgent studies related to national security.

The $850,000 requested for an operating budget in fiscal year 1963, details of which have been transmitted to the committee, accommodates both a modest increase in staff and consultant capabilities needed to meet our broadened responsibilities, and also an assumption of expenses for supporting administrative services which, previously provided by the White House, must now be provided by the new agency.

These particular items are listed in the following table:

Printing and reproduction	$4,000
Supplies and materials	10,000
Equipment	11,000
General services	7,000
Total	32,000

In addition, it will be necessary for us to provide our own administrative and clerical services for budgetary, personnel and operational matters, which I estimate will cost approximately $15,000. These items added to the last year's operating budget total $698,000 required merely to maintain the previous level of activity.

The additional $152,000 of our request would permit the critical expansion of staff, some small increase in use of consultants, and associated travel costs needed to meet our new commitments.

The net increase in staff from 24 to 35 represents half clerical and half professional additions. Due to the lack of funds in fiscal year 1962, this office operated with an extremely large overtime schedule for the secretarial staff, averaging more than 9 hours a week per secretary. White House regulations limited overtime payments to 4 hours per week, and the employees were obliged to take the remainder in compensatory time when they could. As an independent office, we are now obliged to pay for any overtime performed.

To summarize, I believe that the responsibilities assigned to our new office are without precedent. It is my concept to concentrate on developing a small

staff with unusual technical and personal qualifications, calling on the services of consultants as needed, so as to gain the benefit of all the sources of expert opinion which the various institutions of Government, universities, and industry can offer. We intend to be selective in the problems we tackle, with the goal of providing to the President and to the Congress information and judgments concerning both the substantive involvement of science and technology in decision and policymaking, and the effective management of this growing Federal R. & D. enterprise.

We also plan to take those steps necessary to assure the evolution of coordinated, Government-wide programs to be sure that we identify goals, plan and program for their achievement with the most prudent possible use of our resources, physical and intellectual.

BASIC STATEMENT OF FUNCTIONS ACCOMPANYING BUDGET REQUEST

Reorganization Plan No. 2 of 1962, transmitted from the President to Congress on March 29, 1962, provides for establishment of the Office of Science and Technology as a permanent unit within the Executive Office of the President.

The Director of the Office of Science and Technology will be appointed by the President, by and with the advice and consent of the Senate, and provision for a Deputy Director, similarly appointed, is made. The staff of OST will consist of technical specialists, to whom broad areas of scientific and technological interest of the Federal Government are assigned.

It is the responsibility of this Office to provide: Advisory assistance and staff support to the President in developing policies and evaluating programs to assure that science and technology are used most effectively in the interests of national security and general welfare; proper coordination of Federal science and technology functions; review of major policies, plans and programs of science and technology of the various agencies of the Federal Government for appropriate emphasis on the relationship of science and technology to national security and foreign policy, and measures for furthering science and technology in the Nation; assessment of selected scientific and technical developments and programs relative to their impact on national policies; review, integration, and coordination of Federal science and technology activities with consideration to their impact on non-Federal resources and institutions; understanding and cooperative relations with the Nation's scientific and engineering communities; and such other related matters as may be assigned by the President to this Office.

To accomplish these responsibilities the Director makes extensive use of eminent scientists both within and without the Government structure. These experts are called together to serve in panels dealing with subjects in which they are knowledgeable. The immediate staff of technical specialists, under the supervision of the Director, acts to coordinate these panels in the capacity of executive secretaries. Panel subjects include areas as significant and broad in scope as space science and technology, national security affairs, military technology, and civilian technology. At the completion of each panel study, a report is prepared for the use of the Director. In cases where the report is considered to be of national significance, it may be released as a White House document. In such instances it is carefully reviewed and approved by the President's Science Advisory Committee prior to its transmittal to the President and, as such, represents a Science Advisory Committee publication.

The extensive use of consultants for panel activities requires that the Office have wide discretion in its methods of operation, since panels dealing with diverse subjects are frequently handled in different ways. For example, a highly classified report concerning our national defense will be produced in a manner which is entirely unlike the methods used to produce an unclassified report assessing the present state of the behavioral sciences. The varied spectrum of activities plus the Director's immediate responsibilities to the President require that he have maximum flexibility in the operation of the Office. He must have a staff which also is able to apply extensive training in the basic sciences to a variety of disparate problems. Staff studies may be undertaken in response to specific requests, either by the President or the Congress or by other agencies within the Government. The following paragraphs will outline subjects which are frequently studied by this Office.

The area of national security affairs includes military and nuclear technology broadly, military strategy, technical intelligence, and disarmament. Typical problems are the following: Analysis of impact of developments in military technology on military strategy; assessment of relative value of different stra-

tegic weapon systems; determination of priority of various military programs in the DOD and AEC budgets; evaluation of the effectiveness and policy implications of advanced weapon systems, review of critical technical intelligence estimates and assessment of their impact on the military and national policy; development of specific proposals for the control and limitation of armaments; and evaluation of the military and policy implications of disarmament proposals.

Military technology will include such areas as civil defense, limited war, and continental defense. Exemplary problems are: Technical review and assessment of current and potential governmentwide civil defense programs and policies; review and assessment of proposed program and policy for air defense of the United States; review and assessment of selected programs for U.S. general purpose forces and the balance in research and development effort devoted to the achievement of military postures supporting specific (nongeneral war) national security policies.

The area of outer space science and technology includes technical fields such as launch vehicle propulsion technology and spacecraft design and development; space vehicle command, control and communications; overall vehicle and missions systems engineering; means for scientific investigations of space; the applications of advanced concepts of electronics and nucleonics as well as other rapidly developing technical fields to space exploration for civilian and defense purposes. Problems encompass the means and methods for utilizing the national space exploration program to enhance U.S. posture abroad; establishing the level of effectiveness of NASA operations in overall systems integration and reliability engineering for the manned lunar landing program, and devising ways and means for realizing improvements in these operations; examining the programs for scientific investigations in space of NASA and the DOD to assure that they take full advantage of the resources available in universities and major industrial technical establishments, and that effective relationships are maintained with the scientific community.

Civilian technology covers industrial and economic development in the United States as well as abroad, insofar as science and technology plays an important role; evaluating means for science and technology to contribute more effectively to national and international economic growth, industrial development and trade; and insuring that civilian technological development undertaken by the Federal Government facilitates efforts by the private sector and is responsible to domestic and international needs for economic growth, industrial development, and trade; identifying and ecouraging civil byproducts of defense and space-oriented Government-sponsored research and development; examining fiscal and regulatory Federal Government practices and related Government organization so as to provide industry with maximum incentives for technological innovation; and formulating organizational, programmatic, and budgetary measures to improve governmental policy in those areas. They include, as examples, housing and construction, transportation, textiles, and coal utilization.

While these illustrations by no means delineate the entire range of activities with which this Office is concerned, they at least give an indication of both the scope and the depth of the investigations undertaken.

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Science and Technology

SALARIES AND EXPENSES

"For expenses necessary for the Office of Science and Technology, including services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a) but at rates for individuals not to exceed $50 per diem, $850,000."

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities: Scientific policy development and program evaluation	----------	----------	850
Financing: New obligational authority	----------	----------	850

Object classification

[In thousands of dollars]

		1961 actual	1962 estimate	1963 estimate
11	Personnel compensation:			
	Permanent positions			338
	Positions other than permanent			108
	Other personnel compensation			16
	Total personnel compensation			462
12	Personnel benefits			28
21	Travel and transportation of persons			287
23	Rent, communications and utilities			38
24	Printing and reproduction			7
25	Other services			2
	Services of other agencies			5
26	Supplies and materials			10
31	Equipment			11
	Total obligations			850

Personnel summary

	1961 actual	1962 estimate	1963 estimate
Total number of permanent positions			35
Full-time equivalent of other positions			7
Average number of all employees			42
Number of employees at end of year			100
Average GS grade			11.3
Average GS salary			$9,700

Detail of personnel compensation

	1961 actual	1962 estimate	1963 estimate	
			Number	Total salary
Grades and ranges:				
Special positions at rates equal to or in excess of $18,500:				
Director			1	$22,500
Deputy Director			1	20,500
GS–18. $18,500: Technical staff members			6	111,072
GS–17. $16,530 to $17,570: Technical staff members			2	33,342
GS–16. $15,255 to $16,295: Technical staff member			1	16,307
GS–15. $13,730 to $15,030:				
Technical staff members			4	54,996
Administrative Officer			1	13,749
GS–14. $12,210 to $13,510: Technical staff member			1	13,270
GS–12. $8,955 to $10,255			1	9,235
GS–9. $6,435 to $7,425			1	7,426
GS–8. $5,885 to $6,875			7	43,867
GS–7. $5,355 to $6,345			6	34,694
GS–6. $4,830 to $5,820			2	11,315
GS–4. $4,040 to $4,670			1	4,160
Total permanent			35	396,433
Deduct lapses			4.5	58,433
Net permanent (average number, net salary)			30.5	338,000
Positions other than permanent: Intermittent employment				108,000
Other personnel compensation: Overtime and holiday pay				16,000
Total personnel compensation				462,000

Justification of estimates—Other objects, fiscal year 1963

12 Personnel benefits $28,000

This amount is based on the total estimate of staff salary costs plus the cost of services of consultants and panel members. Staff benefits include reimbursement to the employees retirement fund, health and life insurance. Social security payments will also be made in connection with panel and consultant employment.

21 Travel 287,000

Approximately $34,000 will be required for staff travel, both to provide attendance of the Director or his staff at important scientific conferences, and to enable members of the staff to convene panel meetings in locations other than Washington, when this is necessary. The remainder of the total requested will be used to cover the travel costs of the panel members and consultants. This will include the travel costs for panelists who serve without compensation, but who usually request reimbursement for travel expenses incurred.

23 Rents and communications and utilities 38,000

To provide the necessary telephone, telegraph, and teletype services as well as postage expenses anticipated in the budget year.

24 Printing and reproduction 7,000

To reimburse the GPO, other Government agencies, and private contractors for the printing and reproduction of numerous reports, publications, and allied materials prepared by this Office.

25 Other services: Administrative contracts 7,000

To reimburse the PHS for employee participation in the service of a health unit, and to provide for the necessary contractual services required such as repair of typewriters, adding machines, and other office equipment; cleaning and repair of furniture and rugs; photographic and art services.

26 and 31 Supplies, materials, and equipment 21,000

This amount will enable the office to establish an inventory of supplies and materials and to provide the items required for normal operations throughout the year. It will also provide about $2,000 for the purchase of necessary periodicals and books.

GENERAL STATEMENT

Dr. WIESNER. As you know, there has been a Special Assistant for Science and Technology in the White House for a number of years, and I came in with the new administration in that role. Last year the Subcommittee on National Policy Machinery made some recommendations regarding the need for a stronger and more permanent organization. This problem had previously been studied by other groups who came to the same conclusion. Some people have made a much stronger recommendation, of which I am sure you are all aware, for a Department of Science. This would bring much of governmental science into a single organization, possibly with a head of that office in a Cabinet position.

REORGANIZATION PLAN NO. 2

At the President's request, I took a year to study all the proposals for providing stronger White House assistance in the coordination and integration of the science program and to see if we could find a way to satisfy all of the other requirements that Senator Jackson's committee brought out including the need to have some responsible group to report to the Congress. Essentially, we have followed their recommendations in Reorganization Plan No. 2 that the President sent to Congress on March 29, 1962.

This plan was approved by both Houses and in July President Kennedy appointed me Director of the office. We have transferred the

staff of the Special Assistant for Science and Technology from the White House staff to the new office in the Executive Office of the President.

I also retain the position as Special Assistant to the President. In addition to the tasks we performed for the President prior to the reorganization, we have taken on the responsibility for surveillance and policymaking in the field of science which was previously assigned to the National Science Foundation in its act of 1950, and which it never felt appropriate to fulfill. The new office being in the Executive Office of the President is not an operating agency. I still have the responsibility to provide special assistance to the President as in the past in any field he is particularly interested in, and to undertake general surveillance in those areas of special concern, and am now attempting to make a broader assessment of the organization of national science activities. For this purpose we did ask for some additional funds.

EXPENDITURES, 1962

In the presentation of our budget to the House, I did not make completely clear both the new functions and the level of expenditure that was involved last year. In my statement I show that we spent roughly $698,000 last year for the activities carried out for the President.

Senator ELLENDER. Is that before reorganization?

Dr. WIESNER. Before reorganization.

Senator ELLENDER. 600-and-some-odd thousand?

REQUEST FOR 1963

Dr. WIESNER. $698,000. And this year we asked for $850,000. The additional $152,000 would be used in part to support the administrative structure, which unfortunately we have to build up because we are an independent entity. Prior to this we received all of our administrative support from the White House.

In addition to that, we intend to have a full-time staff member for activities in science information. This has become a very critical Government problem; possibly a staff member for oceanography, which Senator Magnuson knows a great deal about.

RESULTS OF LOWER BUDGET

If we are forced to operate on the $700,000 budget, what I shall probably do is attempt to curtail some of the activities which we did perform for the President last year that might be of less importance than some of the new functions. For example, the problem of liaison with the Congress on scientific matters, which is a new function for our office will require additional effort. As a matter of fact, I will be candid and say I do not know precisely what will be asked of us by the Congress. I will be required to spend some of my time on this task. We will all require the time of additional people to assist in making more comprehensive reviews of scientific research and scientific education programs in this country, as they are becoming much more critical than they have been in the past with the growing science budget.

GROWTH IN RESEARCH

The situation is that a decade ago the country expended $1 billion a year in research and development, and is now spending approximately $12 billion, and it is clear it is not going to stop. It is a growing thing. The mechanism to keep Congress and the President assured there is not too much overlap, that we have adequate manpower to do these tasks, and that the programs are sensibly and well thought out that was adequate a decade ago is not adequate today. That is why Senator Jackson recommended strengthening of this operation and why we are attempting to do so.

This is an experimental process. I am not precisely sure how to do the best job, and the people who want a stronger organization may turn out to be right. My own conviction is, though, that one can always strengthen organizations, but if you create too strong a bureaucratic organization it is very hard to change and turn back.

CONNECTION WITH NATIONAL AERONAUTICS AND SPACE COUNCIL

Senator ELLENDER. What connection has your organization with Dr. Welsh's?

Dr. WIESNER. We are both in the Executive Office of the President.

Senator ELLENDER. But separate?

Dr. WIESNER. We are separate, but side by side. When Dr. Welsh's office was created, it was obvious that there was an overlap between us because my office has the responsibility for research and development in all fields, and space research overlaps some of the other fields. On the other hand, he has some of this responsibility too.

We decided to coordinate our activities. We agreed we would provide the technical assistance that his office needed. So when he believes there is a need for technical review either because a program looks poor or we question whether something is needed, or there appears to be an overlap between two scientific programs in different agencies, then Dr. Welsh asks me to carry out a technical review. If I see a need in that field that involves him, before I carry out a technical study I go to Dr. Welsh and get his concurrence.

COOPERATIVE EFFORTS

For the year that we have been operating, this has been a very satisfactory arrangement, and we have had cooperative efforts in about eight or nine specialized fields in the space program. He has already mentioned the communications satellite, where I provided technical assistance to his office in the consideration of the broader problem. We have also looked at problems in the bioastronautic field.

Senator MAGNUSON. Also backing you up is the President's Science Advisory Committee.

Dr. WIESNER. Yes.

Senator MAGNUSON. And the Federal Council for Science and Technology as a dual source of advice.

Dr. WIESNER. That is right.

Senator MAGNUSON. Is the Federal Council the so-called departmental organization?

ADVISORY GROUPS

Dr. WIESNER. Yes. The President has available to him two advisory groups—the Science Advisory Committee, a committee of distinguished men, 18 of them, that serve for 3-year terms, and the Federal Council for Science and Technology, composed of the highest ranking governmental officer in each department, accounting for 95 percent of the Government research and development.

Senator MAGNUSON. They report to you?

Dr. WIESNER. They report to the President, but I am Chairman of the group.

Senator MAGNUSON. It is sifting down to you?

Dr. WIESNER. Yes.

FUNCTION OF AGENCY

Senator MAGNUSON. So what you are talking about is $850,000 to ride herd on and make as good sense as we can in the huge scientific and research programs that are going on in the Government.

Dr. WIESNER. That is right.

HOUSE LANGUAGE ON TECHNICAL SPECIALISTS

Senator ALLOTT. What do you have to say about the House language where they state first of all that $150,000 would provide you with 35 technical specialists, and further say:

> The Director is urged to concentrate on developing a highly qualified but modest staff which will proceed carefully and bring good results. The committee believes that considerable economies can be realized from the efforts of this Office but feels that it is the quality not the quantity of work that is important.

Dr. WIESNER. I certainly agree with that. I believe there was a misunderstanding about the number 35, incidentally. The number 35 was including total staff at the end period, and the budget was to cover those 35 people, but that includes secretarial as well as technical staff members. If they gave me latitude to hire 35 staff, that would have taken into account the expansion for the next several years.

Senator ALLOTT. Do I understand you to say 35 technical specialists would leave you without any secretaries, but your secretarial help is included in the 35?

Dr. WIESNER. Yes. Because we want to add 6 technical people and 5 secretaries to the present staff of 24, so that the total would be 35. As I pointed out in my prepared statement, we depend very heavily on consultants from both Government and industry. The reason for that is that my office has responsibility for the total scope of science, and if I try to build up a competence for all of the special branches of science, I would need two or three hundred people, and we do not need them continuously. Therefore we have staff members who have a broad range of responsibility in an area, and have consultants that we can call on when we have a specialized problem.

AMOUNT FOR SALARIES

Senator ELLENDER. How much of the $850,000 is spent for salaries?

Dr. WIESNER. In our justification we asked for $338,000 for permanent positions. A total of $462,000 for compensations, including consultants—108 plus 16.

FUNDS FOR CONSULTANTS

Senator ELLENDER. What do you pay those consultants?

Dr. WIESNER. We pay consultants $50 a day, unless they happen to be members of the President's Science Advisory Committee, then we pay them $75. In other words, 18 of the consultants, members of the Advisory Committee get $75. $50 is slightly on the low side perhaps of some agency scales; if $75 becomes a more universal Government figure, and we will have to come back and ask you for more money. It sounds like a lot of money until you multiply it by the number of days a man works per year. It is not very different from the salary for a good scientist.

SERVICE WITHOUT PAY

Incidentally, many of our consultants serve without compensation. Last year a third of the consultants in our office did not get salaries either because they were Government or university employees whose research activities were supported by the Government, or from corporations whose bookkeeping procedures made it too clumsy to take compensation.

Senator ELLENDER. I notice your total compensation according to the justification is $462,000.

Dr. WIESNER. Yes, sir.

Senator ELLENDER. What is the rest of the money for?

TRAVEL

Dr. WIESNER. A large share of it goes for travel. In this particular budget, $287,000 is used for travel, because when you employ consultants the money goes as much for travel as for compensation.

Senator ELLENDER. You travel throughout the United States?

Dr. WIESNER. Yes. We may use a man from Los Angeles, or Boston, or New York, and he comes to Washington to work. We also pay his travel. If a man comes from the west coast the travel may far exceed the consulting fee. We have tried very hard to use the country's very best scientists. This procedure not only enables me to operate with a small permanent staff and still have a call on people in all fields, it also provides us with a more distinguished group of people to help us than we could hire on a full-time basis. It is a pattern which grew up before I came into this position as special assistant to the President, but one which I find totally satisfactory.

Senator ALLOTT. This would mean an increase from $651,000 for your previous function

Dr. WIESNER. That's right.

Senator ALLOTT. By $199,000, which is an increase of $200,000 in a $600,000 budget. Will it be on the same basis next year?

FUNDS ALLOCATED FROM WHITE HOUSE

Dr. WIESNER. I say there in my memorandum that I would like to point out $651,000 are the funds which came from the White House. On the President's request we did do a scientific manpower study,

which the Science Foundation helped finance, and for the first half of the year the Science Foundation funded it, because I did not have funds. So there is an additional $53,000 there.

ADMINISTRATIVE COSTS

Additionally, as I point out, about $47,000 of expenditure are administrative costs in addition to manpower costs, which are going to be required because the White House will no longer supply us with printing, supplies, materials, and general services, and so on. So there is an apparently high cost here, and I do not anticipate we will request anywhere near this large an increase in the request next year. I would not say that we will not ask for any increase because there is a likelihood that there will be some proposed increase in the following years.

We are just beginning to assess what some of the new functions require.

OPERATION MOHOLE

Senator ALLOTT. I would like to ask you this: On page 2 you say part of your duties are to evaluate scientific and technical programs undertaken by all agencies of the Federal Government, and to assure that sicence and technology are used most effectively for national security and the public interest.

For example, would this include the Operation Mohole on which the National Science Foundation is now proposing to spend some $45 or $50 million? I know it's not much in some people's minds, but would it include such an operation as this? I am thinking of the complete fiasco which has surrounded that situation in the last year.

Dr. WIESNER. If I or the President felt it was about time to do it, and I think I have become convinced that it does deserve an examination.

Senator ALLOTT. Would you accept a suggestion from the senior Senator from Colorado?

Dr. WIESNER. Yes.

Senator ALLOTT. That it does need a very careful look?

Dr. WIESNER. Yes, indeed. You see, in the past my office has been primarily responsive to the requests from the President. Now I will have an independent responsibility to maintain surveillance of the scientific programs. I would submit what we are asking for is a very modest sum of money to try to provide top-level management for this very large scientific program.

Senator ALLOTT. And can I depend on your keeping me informed of what you discern and discover when you look into this particular project?

Dr. WIESNER. Yes, sir, I know about its scientific purpose, but I don't know about its management problems. I will keep you informed.

Senator ALLOTT. That is all.

TELESCOPE IN WEST VIRGINIA

Senator ELLENDER. Doctor, did you have anything to do with this big telescope that was abandoned, I think in West Virginia, after spending a lot of money there?

Dr. WIESNER. Yes; I did.

Senator ELLENDER. Was it your recommendation to discontinue it?

Dr. WIESNER. First of all, the answer is, "Yes," I concurred in the recommendation, but it was not mine. It was a Department of Defense recommendation.

Senator ELLENDER. What part did you play in having this project discontinued? Not that I don't believe the right thing was done, but I am trying to learn what happened.

Dr. WIESNER. Mr. McNamara, or his staff generally, keep me informed about problems that are related to science and technology that they think are of interest to the President. Many months ago we talked about this problem and it became obvious that it would involve some difficult decisions.

RISE IN COST OF PROJECT

You see, it was a project begun a great many years ago. The original estimate for the construction of the telescope ran between $17 and $40 million depending upon how far back one goes. The earliest tentative estimate was $17 million. With the passing years it became technically more difficult and costly. We discussed it last year and it was agreed to place a ceiling of $135 million on it. It was discussed by the President's scientific advisers, with Mr. McNamara. When the Navy told the Defense Department that once again it had a new estimate and new date for completion, almost everyone who was involved decided it would be impossible to justify the figure, which was in excess of $200 million.

STUDIES BY SCIENTISTS AND DEFENSE

The Defense Department made a study of the various military uses of it, and asked me to make a study of the potential nonmilitary technical and scientific uses. I had a meeting with a group of radio astronomers to review its potential as a basic research tool. We felt that it had important scientific potential. If it existed it would be a useful tool for radio-astronomy, but my group concluded that one could not justify the $130 million or so still needed on a scientific basis. When it became clear it could not be defended as a military expenditure, I had to say to the President that in my opinion it was not defensible as a scientific expenditure, although it would be useful if it did exist.

On the basis of the joint recommendation of Mr. McNamara's group that it was no longer necessary because time had passed it by and new techniques were available to do what it was supposed to do, and my recommendation that one could not justify this large expenditure for basic research, the President agreed to its cancellation.

RIVALRY BETWEEN AGENCIES

Senator ELLENDER. As to that particular project, to what extent do you find any rivalry between various agencies to continuing it?

Dr. WIESNER. I would not say there was rivalry. As always, the people who have been proponents for a great many years continued in the belief of its military value. A dispassionate observer would conclude that the military value is now very marginal. I could not say there would not be some military value, but judged in terms of the very large and continuing expenditures it did not seem to justify

continuation. I watched the Defense Department studies throughout the entire period and I concurred in the recommendation.

INVOLVEMENT OF AGENCY IN "PUSH-BUTTON WAR"

Senator ELLENDER. To what extent does your office have anything to do with all of these new gadgets that are being tried and experimented with in our defense? In other words, to make it easier to fight a war—a pushbutton war?

Dr. WIESNER. Well, I can be involved in one of several ways. If the President is concerned and interested in a project or desires a technical judgment about something going on, he may ask my office to study it, and immediately I do. If the Bureau of the Budget becomes concerned that something is not quite defensible technically, they may suggest to the President that I make a study. If one of my staff members sees something he thinks justifies examination, I may initiate it.

Senator ELLENDER. That is the point. You can act independently to decide that?

Dr. WIESNER. Prior to the creation of the new office, I only acted after consultation with the President. Now the language permits me to act independently, but on any major issue I would first consult with the President or with Mr. McNamara. I have found perfect rapport in working with the Defense Department through Mr. McNamara, and if I am concerned about something I normally talk to him directly and he makes a study of his own.

TOTAL FULL-TIME SPECIALISTS

Senator MONRONEY. Do I understand that you have only 35 full-time technical specialists plus staff assistants?

Dr. WIESNER. No, Senator. We will have less than 35. We have 17 or 18 professional full-time people, but also can count on consultants.

Senator MONRONEY. Plus secretarial?

Dr. WIESNER. The staff are technical people. The difference between the 17 and 18 and the 35 will be secretarial and administrative people. But then we have the President's Science Advisory Committee and the Federal Council for Science and Technology, and can call upon the Science Foundation to assist us, as well as the individual agencies for reports and studies. We have a pool of about 250 outside consultants we can bring in for special projects.

Senator MONRONEY. I don't see how you can get that much done without these highly skilled and technical people. It seems to me they are the very vortex of the information funneling through to the last decision of the Bureau of the Budget and the President. Certainly money spent in this way would give us at least someone who is on guard with technical scientific competence to sort these things out which would benefit the Congress.

Dr. WIESNER. Yes. In the past we have been successful, by being highly selective about what we have done, and that concerns me now about the new possibilities. We do have responsibility for broader range surveillance. We need to expand the staff somewhat, but our success, to the extent we have been successful, has resulted from being

selective and calling on very good people and doing things thoroughly. I hope to continue that practice. If I build up a very large organization and depend on a very large internal staff, we would change the nature of the assistance we can give the President. It might turn out to be satisfactory, but it would be very different.

So I am anxious to let this develop slowly and try to depend on quality.

COST OF SCIENTIFIC RESEARCH

Senator MONRONEY. It seems to me it is one of the most vitally needed control points and built-in devices the President and the Bureau of the Budget have on what is going on and what has perhaps been duplicating important proposals on how research and development can be done. I presume the cost of our scientific research would go well above the $1 billion figure. Therefore some of these things—not all—would come before your group for surveillance.

Dr. WIESNER. If you take the research and development budget, which I talked about before, the total research and development budget for science is about $12 billion.

Senator MONRONEY. Do you participate in the science end of it?

DETERMINATION OF POLICY

Dr. WIESNER. Yes, we do. You see, we depend heavily on external groups, and possibly to a degree more than we should. We have not looked at the minute details of the programs, but looked at the general policies of the program and examine in great detail only when that appears desirous. It would be a very bad mistake for me to try to weigh every defense expenditure of the Defense Department.

On the other hand, we should look at the general policy and general health of the programs. I have spent days on a $100,000 program when we have trouble. That means when somebody calls it to the President's attention—somebody in Congress, or industry, or other groups say it is not going well—then I will spend as much time on a $100,000 program as on a $100 million program trying to understand it; but in general I do not believe my office should try to second-guess the detail of everything being done in Government. I do not think we should. We will just waste our time and a great deal of money, if we do.

Senator MAGNUSON. Are there any further questions?

If not, thank you, gentlemen.

All right. We will go into executive session.

(Whereupon, at 11:50 a.m., the subcommittee went into executive session and the witnesses appearing from various agencies to justify the funds for "civil defense and defense mobilization functions of Federal agencies" were excused by the subcommittee.)

(AFTERNOON SESSION—2:04 P.M., MONDAY, AUGUST 6, 1962)

DEPARTMENT OF DEFENSE

OFFICE OF CIVIL DEFENSE

STATEMENT OF HON. STEUART L. PITTMAN, ASSISTANT SECRETARY OF DEFENSE (CIVIL DEFENSE); ACCOMPANIED BY PAUL S. VISHER, DEPUTY ASSISTANT SECRETARY; WILLIAM P. DURKEE, DIRECTOR FOR FEDERAL ASSISTANCE; JOSEPH ROMM, DIRECTOR FOR PLANS AND PROGRAMS; TROY V. McKINNEY, COMPTROLLER FOR CIVIL DEFENSE; AND CHARLES M. MANNING, DEPUTY ASSISTANT GENERAL COUNSEL (ADMINISTRATION), OFFICE OF THE SECRETARY OF DEFENSE

BUDGET ESTIMATES FOR 1963

Senator MAGNUSON. The committee will come to order.

Several Senators will be here, but we have a long afternoon to go.

We have the Office of Civil Defense, Department of Defense, which for the purpose of the record, in 1962, $207,600,000 was the budget.

The budget estimates for 1963 are $695 million, and the House recommended, in the House bill, $75 million or minus 600. In 1962 the House appropriations were $132,600,000, and the 1963 estimates, are minus $620 million, and restoration is requested of $158,673,000.

Steuart Pittman is here, the Assistant Secretary of Defense, for Civil Defense, and he has a statement.

We will be glad to hear from you, Mr. Pittman.

Mr. PITTMAN. Thank you, Mr. Chairman. It is a great privilege to be here.

Senator MAGNUSON. First of all, we will put a letter from the Secretary of Defense, Mr. McNamara, and the justifications in the record in full.

Mr. PITTMAN. All right.

(The letter, justifications, and general statement follow:)

STATEMENT OF STEUART L. PITTMAN, ASSISTANT SECRETARY OF DEFENSE (CIVIL DEFENSE)

Mr. Chairman and members of the committee, this is my first appearance before your subcommittee and the first presentation of the President's civil defense program before any committee of the Senate. This comes at a time when the newspapers report that "a body blow" or "blockbuster" has hit the civil defense program. These references to the House civil defense appropriation are somewhat overstated. What has happened, in a word, is the appropriation of about one-third of the funds requested for the current civil defense activities. The only new element in the program requires legislation and, therefore, is not at issue. Rejection of two-thirds of the funds requested for current activities would, in my judgment, postpone for a year or indefinitely the first real prospect

this Nation has yet had of achieving a capability to save large numbers of lives under nuclear attack.

I will take the time I have today to show what we have tried to do to the national civil defense effort in the short year in which the Defense Department has been responsible for the program, and why most of the essential elements in this first year of progress would have to be postponed a year or abandoned under the House appropriation.

NATURE OF THE PROGRAM

The last year has been devoted to defining a realistic objective and focusing major civil defense activities on its attainment. The objective is double barreled: To locate and to stimulate the creation of enough fallout shelter space substantially to meet the full national requirement; and simultaneously, to bring about organization, planning, and training in every community in the country so that people will know how to go to shelter space, how to live in it, how to emerge, decontaminate and survive in the hazardous first few weeks.

Shielding from radiation is the first and essential task of civilian protection under nuclear attack. Without a system of shelters, civil defense cannot be taken entirely seriously by the growing number of people who understand what a nuclear explosion can do. The President's civil defense program, therefore, is designed to offer the most realistic and effective protection which can be made widely available to the American people, consistent with the demands of other high priority national needs.

It is important to be clear about what this program is not. It is not a massive public works project to bring maximum security in a nuclear war to the American people by providing them with habitable space underground. Estimates from various studies of such an undertaking have gone from $20 to $150 billion. Nor is it a continuation of the easy, but unrealistic, programs of the past which have netted very little in lifesaving potential for the funds expended.

Civil defense today is a serious and complex undertaking, loaded down with the kind of problems most of us would like to avoid. It is forced on us by certain simple facts: First, nuclear war is possible; and, second, in addition to its unavoidable destruction, it would bring hazards to life which can be minimized by preparations within reach.

The Federal civil defense program is a balanced series of activities designed to accomplish what State and local governments and private organizations cannot be expected to do, and to provide leadership, guidance and support for a nationwide effort to create a capability in each community to increase greatly the number of people who would survive a nuclear attack. The program was developed on the assumption that for the foreseeable future any large nuclear attack would blanket most of the country with lethal fallout radiation. There is no known way to survive this condition except by taking cover behind a mass of building material or earth sufficient to cut off radiation in harmful doses. The philosophy of the program is to carve out a manageable part of the risk, namely, fallout radiation and cut back the large-scale loss of life which could result from this hazard, rather than diffusing the effort over ineffective measures to protect those located too close to a nuclear explosion. We are accustomed to taking out insurance at reasonable premiums against only part of the risks to which our lives, health, and property are exposed. Limitations on the scope of the policy do not lead us to conclude the insurance is without value; rather than do nothing, we take the protection that is available.

DESCRIPTION OF THE PROGRAM

For these reasons priority has been given to creating adequate fallout shelter space for as many people as possible. This first year has been devoted to finding and bringing into use shelter space which already exists and which costs nothing. We call this the national shelter survey. An immense amount of valuable detailed information on major buildings throughout the country has been gathered and is available to Federal, State, and local governments and to building owners for a wide variety of uses. By drawing on advanced data gathering techniques from various sources, including the Bureau of the Census and the National Bureau of Standards, the cost of this undertaking has been reduced well below earlier estimates. The usefulness of this space for shelter purposes is now being verified by architects and engineers under contract with the Army Corps of Engineers and Navy Bureau of Yards and Docks. Shelter supplies are under procurement, many building owners have signed licenses giving permission for use of their buildings as public shelters, and municipal governments,

working closely with the Department of Defense, are preparing to take delivery of shelter supplies and install them in shelters. Most of the Federal funds needed for this project have been obligated and were appropriated for fiscal year 1962. The lifesaving potential of this shelter space will become a reality in one city after another during the coming fall and winter.

The second phase of the shelter program, which must await legislative action and is not before this subcommittee, will be financial contributions to schools, hospitals, colleges and similar nonprofit institutions to assist them in creating shelter space in their buildings. These buildings will offer better locations than existing shelter space in relation to residential population. The impact of the survey and the incentive program is expected to stimulate local resources and initiative to create a substantial amount of additional shelter space to make up the total requirements. Industry is already responding and there will be a new interest in low-cost home shelters by homeowners located away from community shelters or preferring to stay in their homes.

Shelters alone will not do the job. We must have an improved warning system. The national emergency alarm repeater (NEAR) system is ready for operational pilot installation. A radiological monitoring net is needed to make possible an orderly emergence from shelters and the planning of rescue work. Emergency communications during the period of shelter occupancy will depend on protection of personnel in key broadcasting stations. Shelters for large groups of people could not be effectively used without special skills in shelter management, medical care, and use of radiation detection equipment. The health resources of the country must be organized for emergency use. Each community must have guidance in planning for the restoration of community services and the bare essentials of living following emergence from shelters. In short, shelter systems in those areas which will have them this year must be made effective by a range of high-priority supporting civil defense activities which have been reoriented to the priorities of the new civil defense program last year and require accelerated development in fiscal year 1963.

These activities are a joint undertaking by the Federal, State, and local governments. Division of responsibility has been worked out in a manner acceptable to the State and local civil defense organizations, the new priorities are being worked into local survival plans, and the Defense Department is for the first time using Federal financial assistance as leverage to accomplish a more coherent nationwide civil defense effort over a reasonable period of time. State and local governments are responding to the Federal program but are relying heavily on the tangible support which is now offered and must continue on an accelerated basis to meet the demands of the shelter space found in the survey. This is enough space for 60 million people or one-third of the population.

This is a brief description of the elements of the current program. If time permitted, I would show how each part reinforces the other. The impairment of essential elements of this program postpones the date when the projected system can be said to have a realistic capacity to save significant numbers of lives under nuclear attack. Interruption of activities involving local participation destroys confidence in Federal leadership and support and makes it questionable whether resumption can be anticipated after a hiatus. Civil defense has had its opportunity to move forward in fiscal year 1962. It cannot slide back in fiscal year 1963 without damage from which it will take time to recover.

PUBLIC ATTITUDES

Following the upsurge in public interest in shelters, which occurred during the defense buildup and the Berlin crisis last summer and fall, a widespread belief exists that civil defense has again fallen into the trough of public apathy and indifference. There is reason to believe, however, that the majority of informed Americans are deeply concerned about improving the odds of survival for their families and communities, in this nuclear age.

We have projected a program which depends on participation of management and leadership elements of the country, which in turn depends on public understanding of the program objectives and justification. Public attitudes on this subject are being studied by the Michigan State University under a contract with the Office of Civil Defense in order to provide information for the continuing development and operation of the program. About a month ago, Michigan State University subcontracted to Elmo Roper Associates to run a nationwide interview-type poll on a set of questions prepared by the university in carrying out its contract with us. The results are particularly interesting because of their contrast with a large number of congressional polls over the last few

months which produced generally negative reactions to the question of whether there should be a program of federally subsidized community shelters. The Roper poll shows than 68 percent of those polled think that fallout shelters should be included in the design of large new buildings; 77 percent favor Federal financial assistance for schools, hospitals, and colleges to create shelter space in their buildings; and 86 percent favor the marking, stocking, and equipping of the large amount of shelter space found in the survey. This, in essence, is the President's program. This evidence, plus recent trips around the country, lead me to the conclusion that there is a great deal of latent support for practical measures to shield people from fallout radiation, and that much of the negative reaction is based on the misconception that a nationwide shelter system necessarily means a vast multibillion-dollar public works project.

It is also my impression that a good deal of confusion persists on the fundamental question of whether fallout shelter space would save a significant number of lives under a large-scale nuclear attack. As the President has pointed out in his recent letter to the chairman of this committee, the Defense Department has undertaken a most elaborate and systematic study of this and related questions. The new civil defense program is predicated on the considered judgment of the Secretary of Defense and the President that the lifesaving potential of a fallout shelter system more than justifies the tangible and intangible costs. Certain distinguished scientists and commentators have questioned this conclusion, and publicity has tended to follow the dissenters. It is worth remembering that the President carries an immense responsibility for the safety of our people if war should ever come, that the Secretary of Defense and other key advisers know well the strengths and weaknesses of the vast apparatus of analysis which has been applied to this problem in the Defense Department, that they have had available all of the important studies on this subject in recent years, and that our people have no better place to turn than to the President and the Secretary of Defense on matters encompassing such a wide range of technical and military data, including classified intelligence estimates. I believe that the debate on shelters, and the resulting confusion in the public mind, is a byproduct of an intellectual and emotional revolt against the arms race which has been forced upon us. There has been remarkably little intelligent public discussion of the President's new civil defense program and what it has set out to accomplish. The word "shelter" has symbolized expensive, underground structures sealed off from light and air; it has been used to connote a molelike existence over long periods of time. I predict that a year from now there will be a far better understanding of both the problems and the practical measures of self-protection that are open to us.

SHELTER SURVEY FUNDS

Of the $207.6 million appropriated for fiscal year 1962, $140 million was authorized by the Congress for the initiation of a program to survey and mark shelter space in existing buildings, and to provision these shelter spaces on an austere basis. The fiscal year 1963 budget as presented to the Congress requested $56 million for the completion of this phase of the Federal civil defense program and for continuing the survey for new buildings as they are constructed.

With the funds made available by Congress in fiscal year 1962 a survey of shelter space has identified shelter space in existing buildings and other facilities capable of shielding about 60 million people from fallout radiation. Shelter supplies for 37 million of the 60 million spaces are actually on hand or in process of procurement. The fiscal year 1963 budget request would provide the completion of provisioning of these 60 million spaces, including Federal warehousing and transportation costs during fiscal year 1963.

State, county, and municipal governments have been called upon to manage this difficult project at the local level—to obtain the permission of building owners to use space in their buildings and to prepare to receive large volumes of shelter supplies, and to install these supplies in shelters. Many local governments have already made the extensive preparations to accomplish these tasks; have enlisted the support and cooperation of civic organizations and leaders; and have started to expand staffs to do the work.

The Federal Government has already incurred most of the necessary costs of finding and bringing into use existing shelter space, and in doing so has imposed important responsibilities and burdens on local governments and building owners to do their part. For the Federal Government to fail to complete its part of the project at this stage would be wasteful of fiscal year 1962 appropria-

tions, destructive of relations with municipal governments on the civil defense program, and an abandonment of the opportunity to improve the chances of survival of large numbers of people at a cost of $3 to $4 per person.

For these reasons, I urge that the $56 million for completing and continuing the shelter survey, marking, and stocking program be reinstated.

FUNDS FOR SHELTER IN FEDERAL BUILDINGS

In fiscal year 1962 the Federal Government has led municipal governments and building owners into bringing into use shelter space for 60 million people, has provided encouragement in many forms to industry, local governments, and home owners to create fallout shelter space at their own expense, and has expanded a shelter-oriented civil defense program. It is vital, therefore, that the Federal Government do in its own buildings what it is leading public and private organizations around the country into doing. Apart from the obvious damage to the President's civil defense program which would result from a failure of the Government to do what it asks others to do, a valuable opportunity would be lost to develop low-cost designs and innovations for the benefit of non-Federal owners of buildings.

I strongly urge the restoration of $35 million for the continuation of this portion of the civil defense program.

RESEARCH AND DEVELOPMENT FUNDS

Our budget request provides for the $17.8 million for research and development, a level slightly less than that experienced during fiscal year 1962. If there is no intervening emergency, the proposed research program may over a long period contribute more to national security than any other element of the program. In order to adapt civil defense programs to changing conditions of the future, our level of research and development must continue at a high rate. The program is aimed at economy of hardware and operations, effectiveness of systems, providing the basis for planning, decisions on future programs, operational decisions, and the reliability of performance of men and equipment in saving lives and in coping with the postattack environment.

To accomplish this, there must be additional research on systems directly related to civil defense such as warning, communications, radiation monitoring, supporting utilities and shelter supplies, and the management and health of potential shelter inhabitants and the postattack surviving population. We must conduct studies on a scale not feasible in the laboratories such as large-scale decontamination experiments. We must also do research on the potential future thermal threat, on the nature of ignition and spread of fires, the potential of chemical and biological agents—and potential defensive systems to overcome such threats. Lastly, we must continue our current research and development efforts to minimize the costs of our current program efforts. The House action has reduced the level of this program to $10 million, approximately $8 million less than the fiscal year 1962 level. This will have the effect of limiting the value of the research and development already undertaken, in that a considerable portion of the funds requested is to complete work started in fiscal year 1962.

Full restoration of the requested $17.8 million is necessary to carry forward this carefully conceived and well-balanced research program.

OPERATIONS AND MAINTENANCE

As the House report identified only three specific reductions in arriving at the $65 million recommended for operations and maintenance, in the reclama I have presented our requirements for this portion of the program to which a credit of $65 million is applied. The requirement totals $124.9 million and, when the $65 million is deducted, it leaves $59.9 million, which we are requesting be added to the amount approved by the House of Representatives.

I have pointed to the necessity for supporting systems to make shelters effective. These supporting activities must keep pace with the development of the system of fallout shelters.

The House report stated that it "recommends $65 million to continue the established programs at the same general level as in 1962." We must recognize that the $126 million requested in the President's budget is a continuation of programs already established. We have not injected any innovations in this segment of our program. We have, however, expanded and accelerated activ-

ities such as training and education, warning, protection of emergency broadcast stations, and Federal contributions to States and local governments on a matching basis, so that they may meet their growing and immediate obligations in civil defense.

Some of the consequences of such a sharp reduction in funds for operations and maintenance are as follows:

1. The national emergency alarm repeater system designed to bring warning into every home, office, and factory in the land would be postponed for a year.

2. Fallout protection for key radio broadcast stations needed for government authorities to communicate with the public immediately following an attack would be delayed for a year.

3. The capability of local governments to train necessary skilled personnel in the management and operation of existing shelter space could not be developed during this year. Without specialized skills in each community shelter, successful occupancy could not be expected.

4. The adult education program in 37 States would have to be curtailed and the program could not be offered to the remaining 13 States. Current applications by 10 States to participate in this program would be denied. The medical self-help training program which has been developed in cooperation with the Public Health Service, the American Medical Association, and the American College of Surgeons could not be offered to the American public and probably could not be revived later in view of the extensive voluntary efforts which have gone into preparation in the last half year.

5. The development of the projected radiological monitoring net would be postponed for 1 year, which would mean, among other things, that people in shelters would fail to have information from outside on nearby radiation hazards and advice on when and how to emerge from shelters.

6. The express deletion of one-third of the requested funds for Federal contribution for State and local government personnel and administrative costs would immediately strike at the capability of many civil defense organizations to take on the tasks of bringing the surveyed shelter space into use. State and local governments have appropriated, or are in the process of appropriating, funds in reliance on Federal contributions.

7. The elimination of funds for emergency operating centers of local governments would interrupt work in process on 67 facilities in 15 States and 52 local political subdivisions. It would also set back several years of successful effort to stimulate plans for continuity of local government in an emergency.

8. The assumption of the House Appropriations Committee report that management costs for the Office of Civil Defense may be cut in half would mean that the undertakings developed by the fiscal year 1962 program could not be met by the remnants of the organization in fiscal year 1963. The levels of program activity will be determined more by obligations of funds in fiscal year 1962 than by obligations of funds in fiscal year 1963.

In summary, I respectfully request the restoration of $158.7 million as indicated in the reclama statements before you. Although delay in the as yet unauthorized shelter incentive program will not directly undermine current activities in the immediate future, the deferment or impairment of any of the presently continuing operations would downgrade the capability for survival which is projected for the end of fiscal year 1963.

The SECRETARY OF DEFENSE,
Washington, August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate.

DEAR SENATOR MAGNUSON: H.R. 12711 as passed by the House of Representatives on August 1, 1962, has been carefully reviewed in light of the established President's civil defense program. Differences between the House bill and the President's budget presented to the Congress eliminate or impair the major segments of our current civil defense activities.

Failure to restore most of the funds requested would require us to reshape the program, deferring high priority elements of a carefully balanced nationwide civil defense effort.

The attached statements set forth proposed amendments to the House bill, together with the justification, which we deem essential. These amendments

cover the amounts of the appropriation, the appropriation structure, the language, and the general provisions of the House bill.

The Assistant Secretary of Defense (Civil Defense) and members of his staff will present these items and discuss them with your committee on the scheduled hearing date. He will be pleased to provide you with such additional information, in explanation and justification, as you may desire.

It is respectfully requested that your committee consider favorably the restorations and modifications proposed.

Sincerely,

ROBERT S. MCNAMARA.

DEPARTMENT OF DEFENSE—OFFICE OF CIVIL DEFENSE

OPERATION AND MAINTENANCE

GENERAL RESTRICTIONS

(Estimate, $18,000,000; 1962 act, 0[1]; H.R. 12711, $12,000,000)

REQUESTED AMENDMENT TO H.R. 12711

Page 3, line 24, strike out "$12,000,000" and insert in lieu thereof "$18,000,000".

JUSTIFICATION

Under section 205 of the Federal Civil Defense Act (50 U.S.C., app. 2286) contributions are made to the States (and their political subdivisions) for necessary and essential civil defense personnel and administrative expenses. The contributions are equally matched by the States. The limitation on the amount which may be used for financial assistance to State and local governments for personnel and administrative expenses is requested to be restored to $18 million, the amount contained in the President's budget. Indications have been received from the State and local governments that expenditures on their part, eligible for equal matching by the Federal Government under this program, will meet or exceed this amount.

DEPARTMENT OF DEFENSE—OFFICE OF CIVIL DEFENSE

OPERATION AND MAINTENANCE

(Estimate, $126,245,000; 1962 act, 0[1]; H.R. 12711; $65,000,000)

(House hearings p. 86)

REQUESTED AMENDMENT TO H.R. 12711

Page 3, line 23, strike out "$65,000,000" and insert in lieu thereof "$124,918,000", which is $1,327,000 below the budget estimate, and an increase of $59,918,000 over the House-approved amount.

HOUSE REPORT NO. 2050

"*Operation and maintenance.*—The committee recommends $65 million to continue the established programs of civil defense at the same level as in 1962. During the last fiscal year most civil defense programs formerly administered by the Office of Civil and Defense Mobilization were transferred by Executive order to the Department of Defense. An allocation of $12 million is again earmarked for allocation to States and localities for grants for personnel and administrative expenses, the same level as at present. Allowance is not made for a 3-percent contingency reserve which was available under the Department's revised 1962 financial plan and $8 million requested to make grants for construction of emergency operating centers is not recommended as the cost estimates are too indefinite. The bill includes $7,300,000 for salaries and supporting costs, or one-half the budget estimate."

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[1] Financed under "Civil defense, Department of Defense," appropriation and from funds transferred from Office of Civil and Defense Mobilization pursuant to Executive Order 10952 dated July 20, 1961.

JUSTIFICATION

The effect of the requested amendment is to restore funds for the following programs and projects:

1. Warning and alert	$25,000,000
2. Radiological fallout detection and monitoring	18,133,000
3. Stockpile maintenance	1,700,000
4. Communications and control	10,100,000
5. Damage assessment	2,500,000
6. Training, education, and public information	20,885,000
7. Financial assistance to States	32,000,000
(*a*) Survival supplies and equipment	(6,000,000)
(*b*) Emergency operating centers	(8,000,000)
(*c*) Personnel and administrative expenses	(18,000,000)
8. Management	14,600,000
Total	124,918,000
Less House approval	65,000,000
Restoration requested	59,918,000

Restoration would provide for continuation of those programs established during fiscal year 1962 and prior years. Funds are not being requested for the introduction of any new programs. Certain of these continuing activities, such as warning, communications and control, training and education, and financial assistance to the States have been expanded to meet the increased demands for national and local civil defense capabilities related to the already identified shelter capabilities.

1. Warning and alert (national emergency alarm repeater system $25 million

The funds requested for warning and alert will enable the Office of Civil Defense to continue the development and implementation of the national emergency alarm repeater (NEAR) system to provide almost instantaneous nationwide warning to every home, office, and factory served by an electric power system. Indications of impending attack are picked up by the various early warning networks; these are transmitted to Air Force Sector Headquarters; and, when the indication is verified, the NEAR system would be activated and thereby provide the civilian warning throughout the country. It would reach areas where outdoor warning devices cannot cover or be heard. For the first time rural areas would receive effective attack warning and could take appropriate action.

In 1962 the Office of Civil Defense initiated final testing and arranged for eight pilot installations of signal generators on existing electric power distribution systems. In addition, contracts were let for a pilot production run of 100,000 NEAR receivers. NEAR receivers will eventually be placed in buildings throughout the country and would convert a warning signal imposed on the powerlines to a loud tone which would warn of impending attack. The fiscal year 1963 funds provide for a complete engineering survey of a large number of the electrical power systems and would begin the installation of necessary signal generators and coupling and synchronization equipment on selected systems.

It is to begin this program on a nationwide basis that we are requesting restoration of the following funds:

Power system surveys	$2,500,000
Generators, coupling, and synchronization equipment for installation in selected systems	22,500,000
Total	25,000,000

2. Radiological fallout detection and monitoring, $18,133,000

(*a*) *Monitoring stations ($8,911,192).*—A minimum of 150,000 monitoring stations are needed to provide Federal, State, and local civil defense units the necessary capability to measure, report, and evaluate the radiological situation resulting from a nuclear attack in order to permit maximum lifesaving operation in a fallout environment. These stations will be located at the Federal, State, and local service facilities, such as fire, police, public roads departments, hospitals, utilities, industry, and at facilities of the U.S. Weather Bureau, Federal Aviation Agency, Air Weather Service, and Armed Forces installations. The personnel of

these services manning the stations are usually available on a 24-hour basis, are well organized and have a communications capability.

The Office of Civil Defense has purchased 49,608 sets of instrument for monitoring stations from funds made available during fiscal years 1960 and 1961. Large order buying with resultant lower prices permitted the procurement of another 150,392 sets in fiscal year 1962 for a total available from fiscal years 1960–62 funds of 200,000 sets. The goal is 150,000 stations with 2 sets per station or 300,000 sets. Another 100,000 sets will be needed in fiscal year 1963 which will meet the goal. Final development of the CD V–715B remote reading high range survey meter was not completed in time for procurement in fiscal year 1962 and must be postponed until 1963. During 1963 it is proposed to procure one of these remote instruments for each of the 150,000 monitoring stations in addition to the two sets mentioned above. Obligation of funds for procurement during fiscal year 1962 and the proposed funding for fiscal year 1963 is summarized as follows:

	Fiscal year 1962		Fiscal year 1963	
	Number of units	Amount	Number of units	Amount
Monitoring sets, excluding 715B	150,392	$8,294,369.66	100,000	$4,696,192.00
715B remote meter			150,000	4,215,000.00
Total		8,294,369.66		8,911,192.00

With two sets per station this means an average of only one set per 10 square miles of land. With only one set our monitoring capability is reduced to a 20-square-mile area which must be monitored to assure absolute safety to people, livestock, and food supplies. The 715B remote instrument is required to eliminate the necessity of dangerous exposure to monitoring personnel during heavy fallout.

(*b*) *Aerial monitoring.* (*$234,000*).—Aerial monitoring is needed to supplement the monitoring stations. It offers the most rapid method of estimating the degree and extent of fallout contamination over large areas and agricultural lands in the early postattack period. Its advantages are speed, reasonable accuracy, and flexibility. It can be used regardless of the location or severity of the radiation level since aircraft can fly from distant fields and radiation levels in the aircraft are many times lower than on the ground.

The need for a suitable aerial monitoring instrument for large area coverage is critical. In order to assure a nationwide aerial monitoring capability by 1965, procurement of this item must be initiated in fiscal year 1963. This capability will provide vital information during periods of extremely high radiation intensities and reduce the necessity for needless dangerous exposure to surface monitors.

An instrument specially developed by Oak Ridge National Laboratory for aerial survey was to be procured during fiscal year 1962. However, full testing and development has not yet been completed. One thousand units scheduled for fiscal year 1962 will be procured in later years. The goal is to have an aerial monitoring capability at about 5,000 municipal airports throughout the country. Only 3,000 of these are manned around the clock; therefore, the first effort will be to furnish instruments to these airports from procurement scheduled over a 3-year period from fiscal year 1963 to fiscal year 1965.

The aerial monitoring instrument is estimated to cost $650 per unit; the minimum procurement for fiscal year 1963 to initiate the program and associated training is 360 instruments for $234,000.

(*c*) *Meters for civil defense workers.* (*$8 million*).—By fiscal year 1965 the overall goal is to make 5 million dosimeters available to emergency workers for the purpose of controlling their exposure to radiation. Fiscal year 1962 funds procured 1 million dosimeters. This proposed amendment will provide for the procurement of an additional 2 million dosimeters during fiscal year 1963 at a cost of $8 million. Further delay in the procurement of these instruments, in the event of an emergency would leave a large number of emergency workers without the means to control exposures to radiation and would critically handicap the carrying out of rescue, decontamination, and other emergency functions

so necessary to postattack survival. The obligation of funds for procurement of dosimeters during fiscal year 1962 and the proposed amendment for fiscal year 1963 is detailed as follows:

	Fiscal year 1962		Fiscal year 1963	
	Number of units	Amount	Number of units	Amount
CD V-742 dosimeters	1,000,000	$4,210,000	2,000,000	$8,000,000
CD V-750 charger	30,000	108,000		
Total		4,318,000		8,000,000

(*d*) *Calibration units* (*$82,895*).—The overall goal is to provide a minimum of two calibration units per State, one for each DOD/GSA warehouse, and one for each of the OCD regional headquarters. This requires a minimum of 120 calibration units. Taking advantage of large order buying and resultant lower prices, 95 calibrators were procured during fiscal year 1962. This proposal amendment will procure an additional 25 units from fiscal year 1963 funds and complete the initial equipping phase of the program. The procurement of this item is a vital factor to insure the success of a nationwide maintenance and calibration program. Without the calibration units the instruments purchased prior to fiscal year 1963 and those proposed in this amendment will not operate with an acceptable degree of accuracy in the event of an emergency.

The procurement of 25 additional units during fiscal year 1963 will cost $82,895.

(*e*) *Spare parts* (*$404,913*).—The requirement for spare parts, like the requirement for calibrators, is essential to the nationwide instrument maintenance system. Past experience indicates that a spare part procurement of 5 percent of the total cost of the survey meters and dosimeter chargers was required to maintain the instruments in proper operating condition. This proposed amendment continues the level of spare parts for instruments proposed for procurement in fiscal year 1963 at the same level.

(*f*) *Prototype automatic monitoring system* (*$500,000*).—In fiscal year 1962 a research project was initiated to design the necessary hardware and systems configuration for an automatic monitoring system. The project requires the development of a 10-station prototype automatic monitoring system: including specific locations of the monitoring stations; a data collection center; equipment to be used; identification of development requirements; and installation and testing of the equipment. It also includes the determination of the communications requirement and methods. This is scheduled to be completed from funds made available in fiscal year 1963.

The proposed amendment would furnish the basic information needed to ascertain the feasibility and applicability of automatic monitoring systems. It is estimated the development of the equipment and prototype installation costs will be $500,000.

3. Stockpile maintenance, $1,700,000

(*a*) *Warehouse operations* (*$935,000*).—The funds requested will provide for continuing the warehouse operations performed by other Federal agencies and required in conjunction with the radiological and engineering stockpiles. Radiological and engineering items are required in the initial postattack period and, therefore, they must be procured in advance of an emergency and provided secure storage. In addition, radiological instruments must be assembled into training or operational sets as required, periodically tested and maintained, and issued to State and local governments. Funds are requested to provide the additional warehouse operational personnel and radiological instrument technicians necessary to carry out the greatly expanded radiological program for instruments purchased in fiscal year 1962 to be distributed in fiscal year 1963. Sustaining these warehouse operations is essential to the continuing development of a nationwide radiological defense capability.

(*b*) *Testing of stocks* (*$40,000*).—As the requirement for radiological detection and measuring instruments has increased over the past 5 years, several electronic instrument manufacturing concerns have submitted competitive bids for OCD-

proposed procurement of these items. OCD issues specifications for these items; but in order to insure that a prospective manufacturer can mass produce the items within acceptable tolerances, prototypes submitted by the manufacturer are thoroughly tested for conformance with the specification. Without these tests, there would be no firm basis for letting procurement contracts. The National Bureau of Standards performs this service for OCD and other agencies. To continue this service in the current program $40,000 is required.

(c) *Maintenance of stocks (engineering) ($100,000).*—In previous years, 45 ten-mile units of emergency engineering equipment were procured and stockpiled at 21 strategic locations across the Nation. Forty-three of the units are stored and maintained through cross-servicing agreements with the Department of the Army, Veterans' Administration, and General Services Administration. Two units are stored and maintained through contract agreements with the State of Vermont and with a private contractor in Thomasville, Ga. This engineering stockpile would be needed for postattack survival and recovery purposes to meet local emergency water requirements where municipal facilities have been destroyed.

Funds are requested to continue the maintenance of these stocks at the fiscal year 1962 level, including required replacement, special modifications, and reconditioning required after return to storage from loan for use in major disasters, as well as those used in our expanded radiological monitoring training programs.

(d) *Transportation ($500,000).*—Radiological supplies are received at the warehouses in large quantities from the manufacturers. These supplies are packaged as standard operational kits or training sets and granted to the States for the establishment of fallout monitoring stations and the training of monitors. These funds are required for the packaging and distribution of supplies to the States in order that a national radiological detection and monitoring capability may be developed.

(e) *Replenishment of maintenance supplies ($125,000).*—Radiological detection and measuring instruments are dependent upon batteries for power. Under operational use, batteries have a life of at least 50 hours; and while in storage their shelf life is about 1 year. In order to insure that instruments will be in a state of constant operational readiness, provision must be made for the replacement of deteriorated batteries and deteriorated ancillary supplies no longer suitable for issue or use. Provision must also be made for the procurement of packaging materials and special containers required for the packaging of assembled radiological operational kits and training sets; procurement of spare parts for older model radiological instruments; test equipment for the instrument maintenance shops; and specialized supplies incident to calibration and decontamination functions. An amount of $125,000 is essential to sustain the program.

4. Communications and control, $10,100,000

Restoration of the full amount of the funds requested would enable Civil Defense to have in place the necessary communications systems required to activate systems to warn the population of impending attack, to provide means for effective emergency command and control, and to assist in the national recovery effort.

(a) *Recurring communications cost ($3,155,000).*—There are two emergency communications networks currently in existence, NACOM No. 1 and NACOM No. 2. These complementary systems make use of teletypewriters, telephones, and radio systems in order to provide backup, one for the other, so as to provide reasonably secure communications capability. In addition to these systems the national warning system (NAWAS) has been developed and implemented. This communications network carries the warning signal from the Air Defense Headquarters through 7 warning centers to 500 strategically located State and local warning points for further dissemination. The other existing system is the Washington area warning system (WAWAS), which was established to meet the special warning requirements of the Nation's Capital and the surrounding area.

Funds being requested provide for the recurring maintenance and operating costs related to the aforementioned systems.

(b) *Protection of broadcast stations ($6,360,000).*—The Federal Civil Defense Act (Public Law 920) calls for adequate communication to the public of emergency information and instructions. The communications medium combining the greatest coverage of the Nation's population with greatest number of receivers in homes and automobiles, and the least amount of delicate and/or cumbersome

receiving equipment is standard AM radio. A program was initiated in fiscal year 1962, therefore, to equip 76 selected stations with the necessary fallout protection to provide a continuing capability to broadcast in an emergency. The ultimate goal of this program is to provide fallout protection to a sufficient number of stations so that the Nation's entire population is within range of one or more operational, protected transmitters.

Funds requested for fiscal year 1963 will provide for protecting about 900 of the Nation's AM radio broadcasting stations, appropriately located throughout the country.

In the event of an attack by nuclear weapons, it is inevitable that our nationwide communications systems, conceded to be the best in the world, would be seriously disrupted. Under these circumstances broadcasting would provide the broadest coverage for initial and continuing means of informing and guiding the surviving population wherever they may be.

Federal authorities and local and State civil defense directors, under the Federal Civil Defense Act, have a responsibility to provide direction and guidance to the public in an emergency. Such communications can best be achieved by radio broadcasting. Survivability of radio broadcasting in an emergency is best achieved by multiple station (redundancy) dispersion, mobility, and diversity of means for broadcast origination. In addition, to provide a fail-safe means of broadcasting after a nuclear attack, the following are required:

1. Fallout shelter for radio transmitter operating personnel.
2. Radio links between the State and local authorities and the broadcast transmitters. (See item below.)

Civil defense funds will be expended at those stations which are required by Federal and local authorities. Each of these users requires the same broadcast emergency operating capability. It is apparent that the Nation will be served exceedingly well by these funds and that the communication capability obtained would be greatly advantageous in proportion to cost.

Emergency communication capability provided under this concept would be substantially independent of common carrier facilities and each station provided with an emergency operating capability by civil defense funds would be a component part of the Federal communication system, and local communications systems.

(*c*) *Radio communications with broadcast stations ($585,000)*.—As part of the total objective of providing an emergency radio communications with the public, there must exist reliable programing circuits between the transmitter locations of the stations selected under the protection of broadcast stations program described above, and protected civil defense control centers.

In fiscal year 1962, plans were made to install radio circuits to those stations selected for inclusion of fallout protection. Funds requested for fiscal year 1963 will equip 130 stations with radio link equipment. As funds become available in subsequent fiscal years, additional radio circuits will be established, supplanting or providing backup to wirelines.

5. Damage assessment, $2,500,000

This amendment is requested in order to meet the responsibility of an operational damage assessment capability assigned by Executive Order 10952.

The basic needs in damage assessment are:

(*a*) Development of a data base which will provide information on location and amount of people, facilities, and resources essential to civil defense.

(*b*) Provision of techniques, including computer support, for preattack studies on the effectiveness of various civil defense programs and for the rapid assessments of casualties and damage to essential facilities and resources once an attack is underway.

This work was begun in fiscal year 1962 with obligations of $1.2 million. Projects were initiated to collect data on the essential elements for emergency survival and reconstitution, e.g., food stocks, petroleum stocks, power systems, water supply systems, etc. In addition, fiscal year 1962 funds provided for 4 months of computer support from the Ordnance Industrial Data Agency on a reimbursable basis.

The $2.5 million requested for 1963 would complete a number of the projects started with fiscal year 1962 funds; would support additional data base projects; would integrate the data being developed by the national shelter survey into the damage assessment computational system; and would provide computer support for a full year.

If the funds are not available to complete outstanding projects started in fiscal year 1962, a substantial portion of the investment in these projects will be lost. Specifically, these projects are:

(*a*) *Quality check of the population statistics obtained in the national fallout shelter survey.*—These statistics give information on the accuracy of the daytime and nighttime population across the country obtained in the NFSS and are essential for measuring the distribution of shelter located by the survey program, as well as for the assessment of casualties in event of an attack. Contractor is the Census Bureau. Fiscal year 1963 request is for $35,000 (fiscal year 1962 obligation was $40,000).

(*b*) *Surveys of food stocks in the hands of wholesalers, retailers, and consumers.*—These surveys should yield essential information on the location and quantity of those food stocks on which the Nation will most likely depend in the immediate postattack period. The contractor is the Department of Agriculture. Fiscal year 1963 request is for $190,000 (fiscal year 1962 obligations were $95,000).

(*c*) *Inventory of elementary and secondary schools; study of water supply systems; and study of health departments and clinics.*—The school study would yield a complete listing of the location and facilities of elementary and secondary schools which for the first time will permit estimates of the effects of an attack on our school population and system. The water systems study will locate the critical facilities in the water supply systems of our Nation and give the basis for intelligent planning to protect these systems or to provide suitable alternatives. The health clinic study will provide planning information on an essential health resource. The contractor for these three studies is the Department of Health, Education, and Welfare. The fiscal year 1963 request is for $173,500 (fiscal year 1962 obligation was $354,500).

(*d*) *Study of secondary petroleum storage.*—This study will locate the bulk petroleum products in the hands of local distributors and dealers. These supplies would be those on which local and State civil defense officials would make first call to support survival operations. The contractor is the Department of Interior. Fiscal year 1963 request is for $81,500 (fiscal year 1962 obligation is $41,000).

The following additional projects should be undertaken in fiscal year 1963:

(*a*) *Survey of private shelter construction; abstract of civil defense statistics; preparation of equal value "dot" maps.*—The survey of private shelter construction will take advantage of existing surveys conducted by the Census Bureau to develop information on numbers of home shelters being constructed or planned. The statistical abstract will provide in one place selected statistics needed by State and local civil defense officials for their operational planning. The "dot" maps will show a simplified graphic distribution of population and survival essentials across the country, to be used by local and State officials for manual assessment of attack. The contractor for these three projects will be the Census Bureau. Fiscal year 1963 request is for $258,000.

(*b*) *Survey of State-owned medical stocks; location of health laboratories.*—These projects will locate the medical stocks which are State-owned, and the numerous health laboratories scattered throughout the United States. The contractor will be the Department of Health, Education, and Welfare. Fiscal year 1963 request is for $22,000.

(*c*) *Developing computer information based on national fallout shelter survey.*—This project will reduce the data obtained in the national fallout shelter survey to computation factors, and computer input tapes to provide physical vulnerability and fallout protection factors of buildings in a metropolitan area, county, State, or region. Fiscal year 1963 request is for $180,000.

(*d*) *Nuclear phenomena and manual damage estimation publications.*—These 2 publications will be revisions of 2 previous documents which are now obsolete. Thousands of copies of the earlier documents have been issued. The 2 publications together provide simple damage assessment techniques for use by State and local officials. Contractor will be Defense Atomic Support Agency. Fiscal year 1963 request is for $125,000.

(*e*) *Electric power study.*—This study would identify substations and power generators with the communities they serve. These data would be the basis for determining which portions of our country might be without power in the event of an attack. The contractor is the Federal Power Commission. Fiscal year 1963 request is for $125,000.

In addition the foregoing data base projects, approximately 5,000 hours of electronic computer time (costing $1,250,000 will be required to support the proposed fiscal year 1963 program). These computer services will be used to organize the resource data for distribution to State and local officials for use in their planning; to apply hypothetical attacks to the population and resource base of the United States in order to test the effectiveness of our shelter program, survival stockpile dispersal plans, and other civil defense programs; test new damage assessment programs such as programs for estimating the effects of fire spread; to make immediately available computer capacity to rapidly estimate the effects of an actual attack in the event this eventuality befalls us.

6. Training, education, and public information, $20,885,000

(a) Training and education ($16,047,000).—Effective State and local civil defense requires qualified professional leaders who direct trained personnel to perform emergency skills under stress and a public informed on actions to be taken in support of community emergency plans and to enhance chances for individual survival. Without trained people and an informed public emergency plans won't work and preparatory measures come to naught.

Activation of community and personal survival measures requires large-scale and complex community training programs. According to reports from the 50 States, instruction is required, overall, for 8 to 10 percent of the total population. Of this number approximately 3.5 million require high level skills, including highly specialized training for 407,000 county and municipal employees who have major civil defense assignments; 948,000 persons trained to manage shelters; and 1,098,000 radiological monitors; and 918,000 persons trained in decontamination. Meeting such requirements demands the careful preparation of technical instructional materials, the training of instructors to use them, and the establishment of comprehensive training programs in communities.

The effect of the House appropriation bill if allowed to stand would be to stunt and place on a caretaker basis the State and local training effort needed to make civil defense effective. If expenditures are limited to fiscal year 1962 level, the increased training and education requirements resulting from the national shelter survey and the collateral strengthening of State and community emergency capabilities cannot be met. The national shelter survey, the first program to provide a tangible degree of protection for a large segment of the American public in 12 years of civil defense effort, has generated large-scale local training requirements which must be met if protection is to be real.

Civil defense training and education efforts must be coordinated carefully with the development of fallout shelters, the improvement of community capabilities in emergency operations and the fundamental requirements of essential recovery measures. To keep training and education in phase with the growing shelter capabilities and requirements, it is planned to devote major resources and effort in fiscal year 1963 to the development of instructional materials which will be used by the States and their political subdivisions. Failure to appropriate the funds identified below will delay essential training and will deny the effective use of protection already available to people in all communities.

(1) OCD schools ($850,000): Present capacity of the 3 OCD schools is 8,000 students per year. The schools are run on a most austere basis as indicated by the average total cost of $68 per student. Of the $850,000 requested, $300,000 is reserved for the student travel expense program. Fifteen hundred State and local civil defense professionals and instructors attended the five new, shelter-oriented courses given by the schools in the last 4 months of fiscal year 1962.

OCD schools must continue this instruction so that State and local civil defense organizations will not be deprived of the leadership and instructor training which is the necessary first step in creating a civil defense training capability within their political subdivisions. Because this leadership training is available nowhere else, local civil defense will remain untrained for emergency operations and service even in natural disasters unless the funds requested are made available.

(2) Training analysis and instructional support ($5,850,000): States and communities must do a large share of essential civil defense skills training. The Federal Government provides direct training of civil defense directors and of instructors in radiological monitoring and shelter management. The main civil defense skills training effort of the Federal Government is, however, to provide instructional materials to support State and community training work. These materials are used in local courses, financed in part by the Federal Government under the contributions program.

In support of State and local training efforts, the Office of Civil Defense plans to prepare training material for 22 courses in technical civil defense areas. Preparation of the training material will be accomplished largely by contract with State land-grant colleges and universities. Unless the full request is appropriated, these 22 supporting courses will be reduced to those courses that are within the capability of the OCD schools to produce; that is, civil defense management, shelter management, and radiological monitoring.

Failure to provide sufficient funds to get these course packages ready in fiscal year 1963 will mean at least a year's postponement of effective survival training throughout the communities of the Nation.

If local civil defense organizations are requested to prepare course materials on their own, such procedure would consume time, manpower, and moneys which should be devoted to other essential civil defense activities. Such diversion and diffusion of local effort will be avoided if standardized training courses are made available by the Federal Government.

A collateral important result of OCD preparation of these training materials is the improved quality of training and standardization of such training throughout the country.

If this skills training is not conducted, States and their political subdivisions will lack the trained manpower required to carry out emergency operational responsibilities, not only for the shelter program, but also for the operational activities collateral to shelter living, the all-important radiological monitoring functions, recovery operations, and for natural disasters.

(3) Public education ($9,347,000): (*a*) Adult education: The Office of Civil Defense sponsors a civil defense adult education program to inform citizens on civil defense, nuclear hazard, and protective action that can be taken. The program is administered by the U.S. Office of Education, which contracts with the chief State school officers on behalf of OCD. Instruction of adults is by regular instructors of the public school systems. At the beginning of fiscal year 1962, 15 States were in the program full time and 262,000 adults completed the 12-hour course during fiscal year 1962. During the year 22 additional States joined the program, making a total of 37 now under contract. The course has excellent community reception and 10 additional States have requested entry into the program as soon as supporting funds are available.

Unless the full amount requested is approved, OCD will be faced with the bleak choice of selecting a few States in which adult education is to be maintained, or keeping it going at a greatly reduced, uneconomical level in all the States now under contract. In either of these cases, it will be difficult for the States to understand the action and to put much faith in the continuity of the Federal intentions in regard to civil defense. Adult education for all 50 States will require $5.2 million.

(*b*) Medical self-help: The medical self-help program has been 2½ years under development in cooperation with the Public Health Service. The ultimate aim of the program is to qualify one member of each family in the Nation to perform medical and health measures that can and should be taken in an emergency situation when a doctor may not be available. The medical self-help project has been endorsed by 22 medical and health associations, including: The American Medical Association, Association of State and Territorial Health Officers, American Hospital Association, American Osteopathic Association, American College of Surgeons, and American College of Radiology. The course itself has been field-tested in all 50 States and the results reviewed by a special committee of physicians and education specialists. The committee has recommended modification in certain units, realinement of lessons, and the uninterrupted presentation of the course as a community program. Revision is underway and materials will be ready for full implementation in all States in fiscal year 1963.

The U.S. Public Health Service, American Medical Association, and State and local civil defense officials are committed to this program, and expect its implementation in fiscal year 1963. If funds are not available, it will be necessary to cancel the program or, at best, to operate it on a selective, greatly reduced, uneconomical scale. To implement this highly desirable program will require $1.9 million in fiscal year 1963.

(*c*) Special instruction program: Successful implementation of a basic survival program and other civil defense measures requires the special, technical instruction of key community groups through programs of instruction and supporting technical publications. Within this category are county and munic-

ipal officials, property owners, industrial managers, school administrators, and civil planning groups. The fiscal year 1963 request of $2.2 million is to support 10 such special instructional programs and 6 supporting technical publications.

In the absence of these funds, OCD will be unable to support these instructional programs. Community organizations and key industrial groups influence the final success of community programs, failure to instruct them will delay action on many essential community protective measures.

(*b*) *Public information* (*$4,838,000*).—The full amount requested is required for the following purposes:

(1) To widen the extent of civilian preparedness, both in the home and in the community, by presenting to the American people evidence that lives can be saved in significant numbers through effective shelter against radioactive fallout.

(2) To encourage building owners to cooperate in this lifesaving program by making available existing shelter space for protection of the public in the event of attack.

(3) To improve public knowledge of attack warning signals, and also inform the people on the manner in which they will receive official information and instructions immediately before and after an attack.

(4) To enlist the talent and manpower of local organizations—professional, business, civic, fraternal—in assisting local officials who face a complex management job in the community shelter program.

(5) To multiply examples of industries which have already taken steps to protect their employees and their ability to restore productive capacity after attack by intelligent preattack planning.

Civil defense is unique in that, to be effective, it must enlist widespread public acceptance and active participation. If the amount requested is not approved, OCD will be unable to carry out to the extent necessary the mandate of Congress in Public Law 920 to "publicly disseminate appropriate civil defense information by all appropriate means."

To carry through the second phase of the administration's national shelter program, the cooperation of building owners with potential shelter space is indispensable. Building owners cannot be expected to make space available for public shelter unless they understand the program and, most important, feel it has the support of the community. If the funds requested are not available we will be severely handicapped in enlisting this support.

Warning signals can have little effect in terms of stimulating protective action unless people understand what they mean. This requires constant repetition. If the funds requested are not appropriated, we will not be able to maintain this repeat-impact education campaign. Also, changes in the conelrad system of emergency broadcasting, resulting from military relaxation in restrictions on the system, will require new information to the public on how they will get official information and instructions in the event of attack.

Organizations, composed of the leaders in local communities, can render valuable assistance in carrying out the many jobs of developing and preparing to use a community shelter system. But they need guidance and tools to work with. Without the funds requested we would be unable to furnish organizations with the guidance and informational tools they need to support the civil defense program.

Although industry generally has been outstanding in its support of civil defense, constructive action has been limited to the few hundred companies which it has been possible to reach with existing materials. New materials are urgently required to extend this area of constructive action by industry in support of civil defense. Unless funds are provided for this purpose, we not only forgo the opportunity of obtaining this but run the risk of losing what we already have.

7. *Financial assistance to states, $32 million*

Section 2 of the Federal Civil Defense Act of 1960, as amended, states: "The Federal Government shall provide necessary direction, coordination, and guidance; * * * and shall provide necessary assistance as herein authorized." Financial assistance for materials and facilities are authorized in subsection 201(i) of the act. Financial assistance for State and local civil defense personnel and administrative expenses are authorized in section 205 of the act.

The objectives of financial assistance are to assist the States in the procurement of materials and facilities for civil defense purposes and to make contributions for necessary and essential State and local civil defense personnel and

administrative expenses in support of the policy declarations of the President and the Congress.

This $32 million figure reflects the participation of all 50 States. In addition to the tangible materials and facilities these contributions have provided to the States, the personnel and administrative expenses program assists in paying for State personnel costs required to administer and support the surplus property donation program.

The funds requested are to continue programs and products initiated in previous fiscal years in accordance with the policy and intent of Congress as stated in the act, and as demonstrated by previous appropriations for these purposes. The financial assistance programs have been a vital factor in the development of State and local civil defense in consonance with national objectives established by the President and the Congress.

The Governors of the 50 States have indicated their serious interest in civil defense. In the 1962 Governors' conference, they resolved, in part, "As Governors, we share a primary responsibility for the safety and well-being of our people. As Governors we shall continue to do all that is within our ability to protect our citizens from the hazards of nuclear attack. Our success in this task, however, will be greatly determined by the quality and firmness of the leadership at the national level." The Governors have, almost without exception, initiated personal correspondence throughout their States in relation to the shelter survey and initiated nationwide efforts to solicit the cooperation of building owners for emergency use of valuable shelter space and for immediate use of space for the storage of shelter supplies.

House action would reduce funds requested from $32 million to a maximum of $18 million by limiting personnel and administrative expenses to $12 million and by recommending that no funds should be applied to emergency operating centers. This reduction of funds to match State and local expenditures involved in carrying out the increased responsibilities placed on them by the Congress and the administration will not only limit or prevent the accomplishment of essential programs, but will result in severe reaction in both legislative and executive branches of State and local governments against the entire effort to survive and recover as a nation from a possible nuclear war. Legislatures will take the position, as they have in the past, that if Congress does not think survival is worth the effort, neither do they.

(*a*) *Survival supplies, equipment and training* (*$6 million*).—The supplies, equipment, and facilities program, combined with the surplus property program, provide communities with needed supplies and equipment available for immediate emergency use. Additionally, the contributions program supports essential local skills training and information activities which provide the knowledge necessary to survive a nuclear attack.

If it is necessary to curtail this program due to congressional action reducing the full amount requested, both the acquisition of essential civil defense equipment and conduct of essential local training in civil defense skills will be severely curtailed in most areas and completely halted in others. The maintenance of a local civil defense capability cannot be attained or maintained with personnel and administrative activities alone, as local plans and preparations will inevitably require the acquisition of special hardware and the conduct of essential training.

(*b*) *Emergency operating centers* (*$8 million*).—The purpose of this program is to develop protected facilities which will provide for effective functioning of elected officials and maintenance of existing Government and order during an enemy-caused emergency; including both the construction and provision of the facility with essential equipment and emergency power and water supplies. The ability of State and local governments to perform essential emergency functions is basic to adequate national civil defense. To insure this capability, there is a need for protected facilities from which governmental agencies can operate.

In furtherance of the policy and intent of Congress embodied in section 2 of the Federal Civil Defense Act, the Office of Civil Defense has encouraged and supported the construction of the emergency operating centers to facilitate the functioning of State and local governments during and after an attack. An increasing number of State and local governments have recognized their responsibility for preparing for such emergencies and have appropriated funds for the development of emergency operating centers.

In prior years, Federal contributions in the amount of $6,700,000 have been obligated toward the planning, construction, and equipping of these emergency operating centers. As of June 30, 1962, 28 emergency operating centers had

been completed, 7 for State government, and 21 for local government. There are an additional 67 emergency operating centers under design and development with the assistance of Federal matching funds; 15 by State, and 52 by local governments. Because of the manner in which the construction of these emergency operating centers, and the obligation of Federal funds is phased, the amount presently obligated will not complete these 67 emergency operating centers under development. It is estimated an additional $6,900,000 of Federal funds will be required to bring these facilities to completion. An additional $1,100,000 is required for developmental projects anticipated during fiscal year 1963.

Failure to appropriate funds for emergency operation centers means that many of those under development will not be completed nor equipped and Federal funds already invested could well be lost. Few, if any, new facilities will be developed without Federal assistance. A key element in the national civil defense objectives will be unrealized, and the ability of many State and local governments to function in an emergency will be seriously threatened.

(c) *Personnel and administrative expenses ($18 million).*—There is increased civil defense activity throughout the country. This increase is reflected in legislative action at the State and local level in terms of increased budgets. As an example, in response to a DOD inquiry in January 1962, the States reported a figure of $23 million as an estimate of State and local appropriations for personnel and administrative expenses for fiscal year 1963. The DOD budget request is the minimum required for the Federal Government to match this response by State and local authorities essential to carrying out the President's civil defense program at the local level.

At the close of fiscal year 1962, 916 States and political subdivisions were participating in the personnel and administrative expenses program. During the last fiscal year 213 of these entered program under DOD leadership; 500 additional jurisdictions have indicated a desire to participate in the program in fiscal year 1963. Without the full amount requested, these 500 communities across the Nation cannot be accommodated.

The benefits of the personnel and administrative costs program are just now becoming apparent due to the time lag involved in securing State and local appropriations, establishing merit systems, conducting examinations, and organizing staffs. If the House appropriations bill limitation of $12 million is sustained, these fundamental preparations will be lost.

(1) *State civil defense ([$5,500,000]).*—The State civil defense organization has the responsibility of directing and coordinating civil defense activities at the local level. It must, therefore, engage in the direction of planning, organizations, training and public information at the local level and bring National and State objectives, priorities, and standards to local units throughout the country. In addition, State governments have the responsibility to make emergency plans for statewide survival operations and resources management.

State responsibilities include the administration and direction of the entire State surplus property program. The civil defense part of the program has been one of the most active, and perhaps the most productive in providing support for civil defense. Surplus property donated by the Federal Government has often provided the focal point around which local civil defense organizations have been built. From fiscal year 1957 through fiscal year 1962 original acquisition cost of surplus property donated for civil defense has totaled about $215 million.

Should the reduction in funds for contributions to the States reduce State organizations to the point where they do not meet the Federal standards for program administration, the result could be severe curtailment of the donation of surplus property for civil defense.

(2) *Local civil defense ($12,500,000).*—The fallout shelter survey program being conducted by the Federal Government will have the concomitant effect of increasing the planning, organizational, training, and operational activities of political subdivisions now participating in the program and will bring new subdivisions into the program. Local civil defense staffs will be called upon: (1) To secure from building owners agreements for use of space as shelter; (2) to receive and deliver federally procured survival supplies in the shelters; (3) to certify to the necessity of shelter spaces at the location concerned; (4) to make available technical information and guidance to building owners and architects and engineers developing shelter spaces; (5) to assist in monitoring commercial shelter and shelter suppliers to protect the public from fraudulent operations;

(6) to revise operational survival plans to reflect the change in basic tactics from evacuation to shelter, including the development of plans for movement of the population to shelter; (7) to develop shelter management plans; (8) to revise communications plans to permit the local government to issue guidance and instructions to their citizens in shelter; (9) to undertake a greatly stepped-up public information and education program to prepare the people to make effective use of the shelters; and (10) to train a large number of people as shelter managers and shelter staff personnel such as communicators and radiological monitors.

In addition to the above new tasks, considerable ongoing work in civil defense at the local level must be continued, such as the improvement of warning systems, the improvement of the radiological monitoring system, the updating of survival item inventories, and the recruiting, training, and assigning of local government employees and volunteer auxiliaries to essential emergency services.

If funds are not available to support the efforts of local governments to meet these obligations, few city councils and commissions will continue to authorize expenditures for civil defense preparations on the basis that "if the Congress doesn't consider this program important then neither do we." This would not only have a detrimental impact on our survival capability and national morale, but would also result in making the Federal funds already spent on the national shelter survey program an almost complete waste since it would not result in licensed, marked, and provisioned shelters ready for use in an emergency.

Limiting the Federal matching funds available to local governments to present levels, while asking the communities to take on the many additional duties involved in the shelter programs, will result in the stretching both ongoing programs and the shelter survey and supporting programs over a much longer period of time. In addition, it will prevent many additional communities from undertaking an effective civil defense program, stimulated by the results of the shelter survey. The net result will be fewer shelter spaces available to the American people than those which could potentially be made available.

8. Management, $14,600,000

The $14.6 million requested for salaries and supporting expenses for the Office of Civil Defense will provide for the management and related administrative expenses associated with the continuation of programs established during fiscal year 1962. The action recommended by the House committee report includes only $7.3 million for such salaries and support costs, or one-half the budget estimate. While the House report recognizes the continuation of established programs of civil defense at the same general level as in fiscal year 1962, it has failed to recognize the same general level in the single budgetary program that provides for the direction and supervision of all civil defense programs. Management activities, despite the expansion of program activities, are being held down to the approximate level of fiscal year 1962, which is consistent with the stated objectives of the House committee report on the level of operations. The expanded program, initiated during fiscal year 1962 to improve the civil defense posture of the United States, provided for increased emphasis in all areas. Much of our obligations during the last fiscal year was accomplished by placing contracts with other governmental agencies and private industries. These contracts, for the most part, call for delivery of services, supplies, and material during fiscal year 1963. Hence, the impact of these actions in terms of work effort and contract administration will not be fully realized until fiscal year 1963. In order to give meaning to the program objectives of civil defense and to realize full benefit from funds expended during fiscal year 1962, it is essential that the technical and administrative staff within the Office of Civil Defense be maintained at its budgeted level. To live within the $7.3 million would require a reduction of more than 50 percent for the remainder of the year in view of the continued level of employment authorized under the joint resolution for continuing the appropriation. Failure to restore the entire budget request would not only cripple the Federal direction of the civil defense effort but would also lose gains previously made in coordination of State and local activities as outlined below.

IMPACT ON STATE AND LOCAL GOVERNMENTS

The House committee action to reduce the management budget by 50 percent will have detrimental impact on State and local governments. The reorganization of the national civil defense structure under the Department of Defense has recognized State and local needs for additional technical staff support. To this

end we have diverted headquarters staff to the field and are at the present entering the final phase of reorganizing the eight regional offices to increase their ability to provide the necessary technical assistance to State and local governments. Local governments have demonstrated a very favorable response to previous Federal appropriations and assistance programs. Previously, direct professional assistance to State and local governments averaged less than 2 man-years per State. We are in the process of increasing this to three to six per State. Any personnel reduction will preclude us from making this needed increased assistance available, thus failing to meet the needs of increasing State and local preparedness capabilities, generated by previous congressional appropriations.

DEPARTMENT OF DEFENSE—OFFICE OF CIVIL DEFENSE

RESEARCH, SHELTER, RESEARCH AND DEVELOPMENT, AND CONSTRUCTION

(Estimate, $568,755,000; 1962 act, 0[1]; H.R. 12711, $10,000,000)

(House hearings, p. 168)

RECOMMENDED AMENDMENT TO H.R. 12711

Page 4, lines 1, 2, 3, and 4, strike out the words:

"RESEARCH

"For expenses, not otherwise provided for, necessary for studies and research to develop measures and plans for civil defense, $10,000,000, to remain available until expended" and insert in lieu thereof the following:

"SHELTER, RESEARCH AND DEVELOPMENT, AND CONSTRUCTION

"For expenses, not otherwise provided for, necessary for studies and research to develop measures and plans for civil defense, continuing shelter surveys, markings and stocking, providing fallout shelters in existing Government-owned or leased buildings, including existing facilities at military installations, $108,755,000, to remain available until expended: *Provided*, That such amounts of this appropriation as may be determined by the Secretary of Defense may be transferred to such appropriations of the Department of Defense available for military construction as he may designate."

HOUSE REPORT NO. 2050

"Research.—The Committee believes that before the Nation embarks on an extensive fallout shelter construction program involving billions of dollars more study and research should be applied to the vast and complex problems involved. Accordingly, the Committee is recommending $10,000,000 for research in this area. The budget estimate proposed $460,000,000 for a new program of shelter incentives in the form of grants to cover a portion of the cost of constructing fallout shelters in certain nonprofit institutions, $35,000,000 for fallout shelters in existing Federal buildings, $56,000,000 for research stocking supplies in shelters, and $17,755,000 for research and development. As yet there is no legislative authority for the inventive grant program of shelter construction."

JUSTIFICATION

Restoration of language included in requested amendment will provide for the following program and project increases over the House action:

1. Shelter in Federal buildings	$35,000,000
2. Shelter survey, marking, and provisioning	56,000,000
3. Research and development	7,755,000
Total increase	98,755,000

This request includes all items in the President's budget with the exception of $450 million (plus $10 million for administration) for the shelters incentives

[1] Financed under "Civil defense, Department of Defense" appropriation and from funds transferred from Office of Civil and Defense Mobilization pursuant to Executive Order 10952 dated July 20, 1961.

program. The request for funds for the incentives program is being deferred pending congressional consideration of the authorizing legislation contained in H.R. 10262.

This requested amendment includes funds for the carrying out of authorized, ongoing programs. Of special significance in connection with this appropriation, it should be noted that the House action does not provide any of the $568,775,000 included in the President's budget for this appropriation, but did provide $10 million under a "Research" appropriation title. Under authority of the continuing resolution approved by the Congress authorizing obligation of funds in July 1962, by all agencies of the Federal Government (H.J. Res. 769, 85th Cong., 2d sess. (Public Law 87-513)), obligations have already been made for continuing operations in two areas which would be financed within this appropriation in fiscal year 1963: (1) The continuing costs of supervision and administration of the survey and marking activities, financed from fiscal year 1962 funds, by the Corps of Engineers and the Bureau of Yards and Docks are being met; (2) under the program for provisions for initial requirements continuing costs are being met in connection with the transportation, warehousing, and distribution of the $90 million worth of shelter supplies, including radiological monitoring instruments, procured with fiscal year 1962 funds.

Accordingly, the requested language and the appropriation account should be preserved to permit the orderly meeting of obligations authorized under the continuing resolution.

1. Shelter in Federal buildings, $35 million

(*a*) *Nonmilitary structures ($20 million)*.—The shelter program is based on the premise that, in the event of nuclear attack on this country, fallout shelters would offer the most practical nonmilitary defense measure for the protection of the greatest number of people. Shelter space in Federal buildings is essential evidence of Federal leadership and example. Incorporating fallout shelters in appropriate new and existing Federal buildings provides valuable cost and design data for public use.

Where the need for shelter exists and the cost is reasonable, it is planned to modify existing Federal buildings to provide fallout shelter space. In fiscal year 1963, the Department of Defense is requesting $20 million for shelter in existing nonmilitary Federal buildings. Agencies and departments have requested funds for protective features in their new structures and are not covered in this request.

This $20 million is an estimate based upon the GSA report, "Inventory Report on Real Property Owned by the United States Throughout the World." Although over 400,000 buildings are enumerated in this report, only about 80,000 are under civil agencies. Further, about 10,000 of these structures can be readily modified at minimum cost to include shelter. This represents about 200 million square feet of floor area. Five million square feet are available for immediate conversion to shelter and the unit conversion cost would average about $4 per square foot. These estimates have been verified by the national shelter survey data.

In fiscal year 1962, $17.5 million was appropriated by the Congress and obligated by the Department of Defense to provide shelter in existing and new nonmilitary Federal buildings. These funds are estimated to provide 536,000 shelter spaces. In addition, this effort provides information essential to any ongoing program; that is, data and experience on shelter design and shelter contruction and modification costs. This knowledge can be passed on to the entire Nation so that they can gain from Federal experience. The fiscal year 1963 request for $20 million will carry forward this work, started last year.

(*b*) *Military structures ($15 million)*.—The protection of military families and resident civilians at military installations is an integral part of this program. Military personnel perform relatively short tours of duty at each post of assignment and do not own permanent homes on military posts. They cannot be expected to construct fallout shelters on Federal property at their own expense. Yet, the knowledge that they and their families are protected against the effects of nuclear weapons is necessary to the morale and effectiveness of our fighting forces.

To provide leadership to the entire national shelter program, it is necessary that the Federal Government do as it is asking others to do. It is essential that the Department of Defense, the agency which administers the program, recognize its responsibilities for the servicemen, their dependents, employees, and the public living near these facilities. Further, this program, under the direct

control of the Department of Defense, will provide a particularly useful opportunity to gain additional experience in design and cost control for modification of the types of structures included in our program.

The total population at military nonindustrial installations in the United States is estimated at 2.5 million. This includes military and civilian strength. and an estimated number of onbase dependents. Off-base dependents of the military forces are not included in this estimate; they are cared for in other programs for civil defense. It is proposed to provide shelter spaces for this population and others who live nearby within a 5-year period.

The fiscal year 1963 program would provide approximately 375,000 shelter spaces (3,750,000 square feet) in existing military structures. This estimate of shelter spaces for planning purposes was arrived at by analysis of an inventory of existing military permanent and semipermanent structures considered suitable for modification to include shelter space. A total of 1.88 million spaces was estimated which when spread over a 5-year program, results in the 375,000 estimate for fiscal year 1963. Subsequent engineering surveys made by the Armed Forces support this estimate.

The incremental costs for protective features for 375,000 spaces in existing military buildings for fiscal year 1963 are estimated at $15 million at an average cost of approximately $4 per square foot. This figure was developed from experience in prototype programs with allowances through engineering analyses for present more austere standards.

This program will be administered so that it will create shelters in relation to local population requirements as indicated by the results of the national survey.

Wherever location and military operations permit, community shelters on military bases will be made available to the general public in accordance with local civil defense planning.

2. Shelter survey, marking and provisioning, $56 million

(*a*) *Shelter survey and marking ($8 million*).—The objective of the national shelter program is to develop adequate shelter space for every person in the United States by 1967. As a part of the program the national fallout shelter survey was inaugurated during fiscal year 1962, centered on the identification and marking of public shelter spaces immediately available in existing structures and buildings.

The fiscal year 1962 program, at a cost of $61.1 million, resulted in the identification of some 60 million shelter spaces meeting Federal criteria. Unless this inventory is kept current it will deteriorate in value to Federal and local plans. It is therefore essential that adequate provision be made for the continuing identification and addition of suitable shelter spaces brought into being by new construction or the modification of existing buildings, and for the deletion of those shelter spaces located in buildings which have been destroyed, razed, or for some reason withdrawn from the shelter program since the initial survey was completed.

Funds herein requested will meet the supervisory costs of Corps of Engineers and the Bureau of Yards and Docks to administer the contracts with architect and engineering firms awarded in fiscal year 1962 to complete the initial survey. Obligations have already been made under authority of the continuing resolution for this purpose and there is a requirement for additional obligations over the next several months in order to complete the administration of contracts and obligations made in fiscal year 1962. Unless funds are provided in this appropriation, it will be necessary to provide for this essential requirement out of the Operation and Maintenance appropriation, which would further reduce our capabilities in the O. & M. activities.

The requested funds will also provide for continuing the survey of new construction, including the identification and marking of an estimated additional 4 million shelter spaces during fiscal year 1963. This continuing effort will bring into being additional low-cost shelter space and serve to keep the national shelter inventory current and usable for any potential emergency.

(*b*) *Shelter provisions ($48 million*).—Shelter space required to protect the population from the effects of nuclear fallout is being located and identified by the current shelter survey program. In an emergency, such space would have to be occupied for periods ranging from a few days to 2 weeks, depending on the concentration of fallout in the area.

The shelter provisioning program has been developed, with the advice of competent authorities in the medical and nutritional fields, through research, and

with the assistance of industry, to provide essential survival items for maintaining the lives and health of shelter occupants during the time they may be required to remain in the shelter. Needed supplies and equipment must be stored in the shelter areas in advance in order to be available for immediate use in an emergency. It would not be possible in the short period of time following an alert to locate such supplies and move them to shelters. Without provisioning, available shelter space cannot be effectively used and tens of millions of persons who need not die would be casualties in the event of a massive nuclear attack.

The original estimate of the number of shelter spaces to be developed through the current survey was 50 million. The survey has identified over 55 million acceptable spaces in existing buildings. Taking into account space to be located in mines, tunnels, caves, and subways, it is now estimated that a minimum of 60 million spaces will be identified by the survey. It is also estimated that, during fiscal year 1963, adequate space for 4 million people will be identified in new buildings being constructed resulting in a minimum of 64 million acceptable spaces identified by the end of fiscal year 1963.

Funds were requested and appropriated in fiscal year 1962 to provision 30 million spaces. Economy in the survey operation has made it possible to undertake procurement of supplies sufficient to provide balanced provisions for 37 million spaces from fiscal year 1962 funds. The funds requested herein would permit stocking an additional 22 million spaces of balanced stocks for a total of 59 million spaces from fiscal years 1962 and 1963 funds. Allowing for the unavailability of a small, but as yet unknown, part of the surveyed space, it is anticipated that the requested $48 million will enable the available space to be provisioned in fiscal year 1963.

The House action eliminated the funds for this program. This would—

(1) Deny the funds necessary for receiving and warehousing shelter supplies already under procurement in Government-owned warehouses, and for distributing these supplies to local governments for placement into available shelters.

(2) Delay by at least 1 year the procurement of additional supplies for provisioning of 22 million shelter spaces, which have already been identified.

(3) Interrupt the orderly procurement process now underway, resulting in the conversion of production lines to other items after delivery of procurement started in fiscal year 1962, with a consequent increase in future procurement costs to provide for reestablishment of lines for producing these same shelter provisions.

(4) Result in the inability to provide transportation costs of certain items.

(5) Anticipation of interruption of supplies can be expected to deter municipal government from assuming responsibility for obtaining the participation of building owners and installing supplies in shelter areas.

Even if funds for completing the survey, marking and provisioning of existing shelter space are not restored, it should be pointed out that substantial costs of bringing this activity to a close cannot be avoided. Fiscal year 1963 funds have been obligated for continuing essential operations under authority of the continuing resolution, and additional funds will be required over the next 6 to 9 months to finance the transportation, receiving, warehousing, and distribution of the approximately $90 million worth of shelter supplies, including radiological monitoring instruments, procured with fiscal year 1962 funds. It is too late at this time to stop the flow of supplies. The items are already on order and are beginning to be shipped to warehouses throughout the country and funds must therefore be provided from any source available in order not to disrupt the entire shelter-provisioning program. Some additional procurement would be required to balance shelter supplies to avoid waste of items on which procurement has moved most rapidly. Without the requested amendment, these costs will have to be absorbed in the O. & M. appropriation, which would further impair essential ongoing programs.

3. Research and development, $7,755,000

Funds in the amount of $17,755,000 are being requested for Research and Development. To be applied against this request is $10 million approved by the House under the research appropriation, leaving an additional requirement of $7,755,000. Requested amendment will restore the full amount of $17,755,000 under the shelter, research and development, and construction appropriation, and would strike out the appropriation research as contained in the House approved bill. Restoration of $7,755,000 to the program is essential to meet the following high-priority research program in four major areas: (*a*) Shelter research—testing of shelters under nuclear weapon effects, increased experimental study of protection against fires, application of biological warfare defense techniques, and

development of washdown or other fallout removal methods would be undertaken; (*b*) support systems research—needed research on radiation detection, communications and warning, increased experimental study of fire ignition and spread, fire control, rescue, and reduction of vulnerability, and increased study of evacuation, movement control, and transattack medical support would be undertaken; (*c*) postattack research—badly needed analysis and experimental study of decontamination, damage repair, postattack health problems, sociological and psychological recovery problems, and contamination of water and foodstuffs will be undertaken; and (*d*) systems evaluation—needed analyses of civil defense operational requirements, functional studies, and systems integration will be performed.

To insure high performance with maximum economy, research and development must be an integral part of any program designed to meet the changing hazards of modern warfare. Technology is never static, particularly in the weapons development field. Such research must keep pace with and anticipate changes if a reliable basis for civil defense is to be maintained. The House committee report states, "more study and research should be applied to the vast and complex problems involved." This objective cannot be satisfied by a reduction of about 40 percent in the current level of effort in civil defense research. Since the demands of the current program of fallout protection for improved data and methods is continuing, a major effect of the House reduction will be to curtail the investigation of the subjects of nuclear blast, fires, and immediate radiation, and of effective means of protection of the population against these effects. Improved understanding of the total nuclear attack environment and of the effectiveness and costs of providing protection to the public in the future is a requirement for which research and development must be undertaken now. Approval of the amendment will restore in whole or in part essential elements of the research program detailed below.

(*a*) *Shelter research.*—Failure to restore the funds requested will result in deletion of planned shelter studies in connection with field testing of nuclear weapons, deletion of experimental studies on the incorporation of water sprays or other devices on structures for the removal of fallout, curtailment of planning for experimental test of shelters and shelter components under mass fire conditions, curtailment of studies of the application of biological warfare defense measures to shelters in existing buildings, and curtailment of simulated and human occupancy experiments needed to develop management and operational data for effective use of shelters and to proof-test current environmental and habitability criteria.

(*b*) *Support systems research.*—Failure to restore the funds requested will result in deletion of planned research projects in radiation detection, communication, and warning that are expected to be needed to exploit major analyses of operational requirements in these areas that were undertaken in fiscal year 1962. The funds reduction will also result in curtailment of planning and preparations for large-scale experiments in fire ignition and spread, damage control, rescue, and reduction of vulnerability to the thermal effects of nuclear weapons; curtailment of research on the medical support systems for civil defense, which is being undertaken in close cooperation with the Department of Health, Education, and Welfare; and curtailment of planned studies of strategic evacuation and movement of populations.

(*c*) *Postattack research.*—Failure to restore the funds requested will result in deletion of a planned doubling of the fiscal year 1962 research effort in the postattack survival and recuperation area. The need for better information on the postattack environment and on effective means of coping with this environment is especially critical, not only for civil defense operations, but also for an understanding of the total civil defense problem. Of special importance is the lack of information on decontamination in cold weather; on the effect of terrain roughness on radiation exposures, both inshelter and subsequently; on the efficient repair of facilities that may be damaged by blast and fire; and on the postattack medical problems and rehabilitation requirements that must be planned for. The lack of sound research data and methodology in these areas is delaying the development of appropriate action plans and programs, and is delaying the upgrading of current undesirably low levels of technical competence in training efforts. Finally, an important area of research on contamination of water and foodstuffs must be taken under study to quantify the degree of hostility of the postattack environment and to determine effective countermeasures.

(*d*) *Systems evaluation.*—Failure to restore the funds requested will result in deletion or curtailment of planned research projects designed to provide informa-

tion on the total civil defense environment—strategic, physical, and social—and on the integration of various civil defense actions into effective systems. In particular, reduction of the proposed level of effort will result in deletion of studies of the damaged social system from which definitive statements of performance requirements for civil defense are anticipated, curtailment of the functional analysis of civil defense systems to assure program balance and economy, and curtailment of studies of civil defense systems in future environments so as to assure that short-range programs will have as long a useful life as possible.

DEPARTMENT OF DEFENSE—OFFICE OF CIVIL DEFENSE

General Provisions

REQUESTED AMENDMENT TO H.R. 12711

Page 4, line 18, after the words "fallout shelters" insert the following parenthetical clause: "(except for fallout shelters resulting from minor modifications to design, construction, or building equipment, which provides fallout shelter space primarily serving the normal peacetime purposes of the facility)"

(H.R. 2050)

"*Research.*—The committee believes that before the Nation embarks on an extensive fallout shelter construction program involving billions of dollars more study and research should be applied to the vast and complex problems involved. Accordingly, the committee is recommending $10 million for further research in this area. The budget estimate proposed $460 million for a new program of shelter incentives in the form of grants to cover a portion of the cost of constructing fallout shelters in certain nonprofit institutions, $35 million for fallout shelters in existing Federal buildings, $56 million for stocking supplies in shelters, and $17,755,000 for research and development. As yet there is no legislative authority for the incentive grant program of shelter construction."

JUSTIFICATION

The requested amendment would modify the restriction on the use of funds appropriated to any agency in the Independent Offices Appropriation Act, 1963, for the purpose of construction of fallout shelter (a broader provision with the same general effect appears in sec. 303 of the general provisions of the act). An amendment has been requested to restore funds to the Office of Civil Defense, Department of Defense, in the amount of $35 million for fallout shelter purposes in existing Government-owned or leased buildings. Moreover, other agencies (GSA, VA) included in this act have requested funds for incorporating fallout shelter in proposed new construction, which the House committee deleted.

It is essential to the success of the Nation's civil defense program that the Federal Government take the lead in the creation and use of shelter space in its buildings. We urge the committee to adopt the requested amendment, in order that State and local governments, as well as private organizations, whose efforts and cooperation will determine the degree of success of the Nation's civil defense program, will not have the impression that the Congress has prohibited fallout shelter protection in Federal buildings, while funding the first extensive shelter system the Nation has ever had; namely, the shelter spaces found in the survey for about 60 million people.

For a more complete justification of the requested amendment, attention is invited to the justification for the requested amendment to section 303 of the general provisions (p. 56, line 15, of the act).

DEPARTMENT OF DEFENSE—OFFICE OF CIVIL DEFENSE

General Provisions

REQUESTED AMENDMENT TO H.R. 12711

Page 56, line 15, after the words "fallout shelters" insert the following parenthetical clause: "(except for fallout shelters resulting from minor modifications to design, construction, or building equipment, which provides fallout shelter space primarily serving the normal peacetime purposes of the facility)".

JUSTIFICATION

The requested amendment to this restriction is urged in order to permit a very important part of the civil defense program to be executed. The Department of Defense, Office of Civil Defense, has requested the restoration of $35 million for fallout shelter in existing Government-owned or leased buildings. Furthermore, under this bill the GSA and Veterans' Administration requested funds for fallout shelter in select new construction. These funds were deleted by the House committee, and restoration of the funds for fallout shelter in the proposed new construction is being requested. Modification of the restraint would remove any doubts on the part of agencies covered by this appropriations act or other appropriations acts, controlling existing Federal buildings (e.g., GSA, Post Office, Interior, military construction and civil works, Veterans' Administration) as to their authority to accept and expend funds made available by direct appropriation or transfer for approvable fallout shelter purposes.

The Department of Defense believes the language in section 303 to be primarily directed at expensive, single-purpose fallout shelters in Federal buildings. The Department of Defense does not intend to use funds under this act for that purpose, but rather to adapt the corridors, rooms, and basements which serve normal peacetime purposes to provide, incidentally, protection against fallout radiation. Minor modifications in design of new construction and minor structural changes or additional equipment in existing buildings can accomplish this purpose at low cost.

The advantage of making these funds available to the Department of Defense, without specific authorization applicable to individual buildings, is to permit the Department to use these funds exclusively for the lowest cost opportunities to create fallout shelter space in places where it is clearly needed. The determination of need will be made on the basis of the national shelter survey results and the advice of local governments.

Some of this shelter space will cost nothing. The shelter survey has found over 3 million public shelter spaces already in existence in Federal buildings, which we intend to bring into use and make available for the local public under civil defense plans of the local government for the use of this space.

Furthermore, it should be noted that in most large multistory buildings it is a practical impossibility to construct the building without some fallout shelter space. The funds requested are to upgrade the protection factor to meet the criteria we have set, and to increase the capacity where low-cost opportunities are present.

It is essential to the success of the Nation's civil defense program that the Federal Government take the lead in the creation and use of shelter space in its buildings. We urge the committee to amend section 303 as requested in order that State and local governments, as well as private organizations, whose efforts and cooperation will determine the degree of success of the Nation's civil defense program, will not have the impression that the Congress has prohibited fallout shelter protection in Federal buildings, while funding the first extensive shelter system the Nation has ever had; namely, the shelter spaces found in the survey for about 60 million people.

If the proposed amendment is not adopted, the committee's attention is called to a technical difficulty presented by section 303. Reference to "expenditure" might or might not be intended to place a restriction on funds appropriated in fiscal year 1962 in the Defense Appropriations Act. These funds, amounting to $17,500,000, have been obligated and partially expended. From the standpoint of the Department of Defense, all of these funds have been expended by transfer to various Government agencies. To construe this language as a restriction on an appropriation in a prior year requires the assumption that the House Appropriations Committee intended the restriction to constitute legislation and to have retroactive effect on a prior appropriation. Even if this were the intention of that committee, it is respectfully submitted that such legislation is unsound and unwise in that the effect on our operations would be to waste funds applied to design work, require the cancellation of certain contracts and require new expenditures to modify plans to eliminate shelter space.

The committee's attention is also invited to an additional question which can arise under the section, with respect to the intended meaning of the phrase "authorized by appropriate committees of the Congress." House Report 2050 contains no indication or guidance as to the method of determining the "appro-

priate committee of the Congress," or the import of the term "authorized." Clarification of this element would be helpful.

General Statement

Mr. Pittman. I have, in addition to the justification that was submitted last week, a statement which undertakes to put the position in a little better perspective.

Senator Magnuson. All right, go ahead.

Mr. Pittman. I would like to either read it or put it in the record. Suppose I read it, and you can interrupt me if you wish.

Senator Magnuson. All right.

Mr. Pittman. This is my first appearance before your subcommittee and the first presentation of the President's civil defense program before any committee of the Senate.

This comes at a time when the newspapers report that a body blow or a blockbuster has hit the civil defense program. These references to the House civil defense appropriation are somewhat overstated.

House Action

What has happened, in a word, is the appropriation of about one-third of the funds requested for the current civil defense activities.

The only new element in the program requires legislation and, therefore, is not at issue. Rejection of two-thirds of the funds requested for current activities would, in my judgment, postpone for a year or indefinitely the first real prospect this Nation has yet had of achieving a capability to save large numbers of lives under nuclear attack.

I think it is worth digressing to point out that the President's program was initiated by an appropriation last August. There were no appropriation hearings at that time. It was acted on very rapidly. The Government Operations Committee put out a report in September 1961. There were no other hearings on the President's program on the House side and there were none on the Senate side last year.

This year there have been no hearings of any Senate committees up until this point.

House Government Operations Report

Hearings were held on the new civil defense program last February by the House Government Operations Committee, which put out a very full and complete report as to what we were doing. That is the only substantial information which has been put out from congressional sources on this program.

I make the point because I feel that the Congress has not yet had the benefit of a report by a committee with action jurisdiction covering the general objectives of the program and its method of achieving long-term objectives.

For that reason, I want to be a little broader than perhaps is customary in this hearing, and explain the program more basically than as an appeal of the House action——

Senator Magnuson. Well now, this is your first appearance here, and I want to suggest something.

This is not just an appeal committee. We may cut the House, too. So you just tell us what you have to say.

Talking about appeals, we might cut the House, which we do on occasion, but everybody comes over here as if we are going to accept the House figure and then they appeal for something else.

So you just go right ahead and just file the program. Next year we will have you over here first, and then we will not have to worry about appeals.

Mr. PITTMAN. Well, that is exactly whatI would like to do.

Senator SALTONSTALL. Did I understand you to say that the House reached their conclusions on this without any hearing?

Mr. PITTMAN. There was a hearing before the Thomas subcommittee.

My point was that there has been no descriptive report, except the Government Operations Committee report. The report of the Appropriations Subcommittee, I believe, has one sentence in it which goes to the merits of the program.

Senator ELLENDER. You did not appear?

Mr. PITTMAN. Yes; we had a hearing, and I made an appearance before the House Appropriations Subcommittee.

Senator ELLENDER. Have you anything different to offer to us?

Mr. PITTMAN. Yes. That was almost 5 months ago. The new elements of the program have been in active operation for about 8 months.

The hearings before the House were at the time when the program was 3 months old, and it is now 5 months later, so that there are some changes in the situation, which I will allude to.

SHELTER INCENTIVE PROGRAM

Senator ELLENDER. Well, in your shelter research and development, I notice you are asking for restoration of $108 million instead of the budget estimate of $568 million.

Why is that?

Mr. PITTMAN. The principal item that is not included is $460 million for what we have called a shelter incentive program.

This would be Federal financial assistance to new fallout shelters created by schools and hospitals and colleges and similar institutions. That requires authorization, and there have been no hearings by the authorizing committees. For that reason, we have not requested that this committee address itself to that item.

Senator ELLENDER. Well, have you abandoned it?

Mr. PITTMAN. We have not. I wonder if it would be appropriate, Mr. Chairman, to refer to or, perhaps, read into the record a letter which the President addressed to——

LETTER FROM THE PRESIDENT

Senator MAGNUSON. Well, you may put that in the record in full. I have it right here.

(The letter referred to appears on p. 1.)

Mr. PITTMAN. I bring it up at this time because it is responsive to Senator Ellender's question.

Senator MAGNUSON. Yes. Well now, let's get this straight——

Mr. PITTMAN. Would you like me to read it?

Senator ELLENDER. If you will cover it in time, I do not want to anticipate you.

I would like for you to proceed in order, but I was curious to find out why it is that you did not ask for the requirement of 568.

Mr. PITTMAN. Because it is unauthorized and the President has requested that hearings on that item be requested early in the next Congress.

BUDGET REQUEST

Senator MAGNUSON. Well now, let's get this straight. You asked the budget for $695 million?

Mr. PITTMAN. Correct.

Senator MAGNUSON. And that included $569,755,000 for the shelter program?

Mr. PITTMAN. No, $460 million—some of that was research, survey and stocking and fallout shelter in existing Federal buildings; otherwise your statement is correct.

SHELTER PROGRAM

Senator MAGNUSON. How much was included for the shelter program?

Mr. PITTMAN. For the unauthorized portion of the shelter program, which is to create new shelter space, there is $460 million.

In addition, there is $56 million which is requested to complete the job of surveying, stocking, and marking the existing shelter space which was a program started last year.

RECAPITULATION OF BUDGET ESTIMATE

Senator MAGNUSON. Well, how much have you taken out of the $695 million?

Mr. PITTMAN. $460 million.

Senator MAGNUSON. $460 million?

Mr. PITTMAN. Plus——

Senator MAGNUSON. So that—wait a minute. So that leaves us five——

Mr. PITTMAN. $235 million.

Senator MAGNUSON. $235 million, and now, what have you taken out of that?

Mr. PITTMAN. $1.3 million for—

Senator MAGNUSON. $1.3?

RADIATION DETECTION INSTRUMENTS

Mr. PITTMAN. For radiation detection instruments, which we were able to procure out of fiscal 1962 funds and, therefore, did not need to——

Senator MAGNUSON. So there is $233.7 million which is in the program now suggested, and the House gave you $75 million?

Mr. PITTMAN. That is correct.

Senator MAGNUSON. So the difference is about $156 million?

Mr. PITTMAN. Yes—it's $159 million.

Senator MAGNUSON. $159 million?

Mr. PITTMAN. Yes.

Senator MAGNUSON. All right.

SHELTER IN FEDERAL BUILDINGS

Senator SALTONSTALL. Mr. Chairman, if I might respectfully say so, the Department of Civil Defense, Department of Defense's general provisions on page 4, you may see there they put except for fallout shelters resulting from minor modifications and so forth and so on, which provides fallout shelters now serving the normal peacetime facilities.

So that would all come in, would it not, to this discussion and the dropout also on the amount of money?

Mr. PITTMAN. I am not clear as to what you are referring to.

Senator SALTONSTALL. I am referring, I assume, to your assignment——

Mr. PITTMAN. Yes.

Senator SALTONSTALL. Based on page 4 of the act.

FUNDS FOR SHELTERS AND BUILDING RECONSTRUCTION

Mr. PITTMAN. The $35 million in the $233.7 million that we have pinned down here, $35 million is to go to shelter construction in Federal buildings which would be prohibited or restricted by the language referred to.

Senator SALTONSTALL. So you have eliminated that.

So how much money does that eliminate?

Mr. PITTMAN. We, of course, are asking for a change in that provision. Section 303 would eliminate $35 million if it stays as passed by the House.

Senator SALTONSTALL. Only $35 million?

Mr. PITTMAN. Only $35 million. That $35 million, incidentally, is $15 million for military buildings and $20 million for civilian Federal buildings.

Senator SALTONSTALL. So, Mr. Chairman, if I may ask one more question——

Senator MAGNUSON. Yes, of course.

RESTORATION REQUEST

Senator SALTONSTALL. When the House cut out two hundred and seventy and six hundred thousand, you are requesting that with this change in the law with this amendment, which you ask us to put in the law, you are requesting that $35 million?

Mr. PITTMAN. We are requesting the $35 million and the change in the law, correct.

Senator SALTONSTALL. And the 35 would go into the 108, or would that be a separate figure?

So that there is fifty-nine million nine for operation and maintenance and one hundred and eighty-seven and fifty-five for shelter, research, and development, and then you are planning another 35 million?

Mr. PITTMAN. No, that is part of the $108.8 million.

Senator SALTONSTALL. That is part of the 108?

Mr. PITTMAN. Yes.

Senator ELLENDER. If we allow you what you are asking, 75 from the House, plus this, it would be a total of two hundred and thirty-three six hundred and seventy-three?

Mr. PITTMAN. Correct.

ALLOCATION TO SHELTERS

Senator ELLENDER. How much of that would be used for shelters?

Mr. PITTMAN. $35 million for shelters in existing Federal buildings, $8 million to continue surveying shelters; that is, locating existing shelter space, and $48 million would be for stocking shelter space that already exists.

RESTORATION OF FUNDS FOR RESEARCH

Senator ELLENDER. How about research?

Mr. PITTMAN. Research, which of course, is not limited to shelter, would be a restoration of $7.8 million to bring that back up to our request.

Senator ELLENDER. Well, how much did the House allow you in that category?

Mr. PITTMAN. In the category of research they allowed $10 million.

Senator ELLENDER. You are asking for the entire amount?

Mr. PITTMAN. We are asking for the entire amount. We requested $17.8 million.

CEILING ON EMPLOYEES

Senator ELLENDER. To what extent have you increased or decreased the number of employees that are now working in this department since it has been separated from OCDM?

Mr. PITTMAN. We established for ourselves an arbitrary ceiling of the number of people who were transferred to us from the old OCDM, plus 42 Defense Department people, then being used as a nucleus to get going.

Senator ELLENDER. So that you have all those who were under OCDM, plus——

Mr. PITTMAN. Forty-two more people.

Senator ELLENDER. Making a total of?

Mr. PITTMAN. 1,148.

Senator ELLENDER. 1,148?

Mr. PITTMAN. Yes.

Senator ELLENDER. Now, those that you are getting or the 44 that you are getting from the military, are they——

SOURCE OF FUNDS FOR SALARIES

Mr. PITTMAN. I should say this is not really the military. We started with a small nucleus of people who were brought in from outside, such as myself, with some key people in the Defense Department who were made available to pick up this responsibility and get going.

Senator ELLENDER. Well, who is paying their salaries?

Mr. PITTMAN. That is out of the civil defense budget.

Senator ELLENDER. So that how much do you get out of Defense, that is by way of assistance?

Mr. PITTMAN. We get a good deal out of Defense by way of assistance. I do not think I can give you a short answer to this question, but I plan to cover it as I go along.

CONTRIBUTION TO DEFENSE

If you wish, I will give you information in detail on the different parts of the Defense Establishment that directly or indirectly contribute to the civil defense program.

Senator ELLENDER. And the expenses for that part came in from the Department of Defense.

Mr. PITTMAN. In large part. In some cases it did and in some it did not.

Senator ELLENDER. What do you mean?

Mr. MCKINNEY. Primarily it's on a reimbursable basis.

Senator ELLENDER. You mean out of the amount of two thirty-three six seventy-three, should we give it all to you?

Mr. MCKINNEY. Yes, sir.

Senator ELLENDER. You did not get anything out of the Defense Department except the reimbursable area?

Mr. PITTMAN. I think my answer was the correct answer and it was that some of the services and support we get from the Defense Department are reimbursable and some are not.

Senator ELLENDER. Why is that?

Mr. PITTMAN. We are, in effect, contracting to get a job done. A good example would be the Corps of Engineers on this survey—this was a new mission for them—they have no funding available for that purpose.

Senator ELLENDER. They are short of funds now?

Mr. PITTMAN. We pay them to get that job done.

We have access to the Defense Atomic Support Agency, which provides expertise on nuclear weapons' effect. They give us this free; they also make studies for us. Smaller undertakings do not cost us anything.

There are a number of instances of that kind where we are assisted by being in the Defense Department without having to pay for it.

DEFENSE REQUEST COMPARED TO HOUSE ACTION

Senator SALTONSTALL. Mr. Chairman?

Senator MAGNUSON. Yes, Senator Saltonstall?

Senator SALTONSTALL. What you are asking, instead of this $568,755,000 you are asking for this $108,755,000 and you are changing the language where the House put in research, and you are putting in "shelter, research and development and construction," and the construction, as I read this thing, is to go into existing facilities of military installations and permit the Department of Defense to make it available for military construction as they may designate.

So what you are doing, in substance, is to take that or include, instead of research, or, in addition to research, an actual development of shelter construction, a program such as that.

That is the way you broadly differ from the House, is it not?

Mr. PITTMAN. In addition to research, yes; that is correct.

Senator SALTONSTALL. And you are asking for that amount instead of the whole five hundred and sixty-eight.

This would be construction, as I read this amendment—this would be construction in the military facilities purely?

Mr. PITTMAN. Well, that is only $35 million of the $160 million difference between us and the House. So there is a good deal more at stake than the fallout shelter space in Federal buildings.

What this all boils down to, in a word, is that we feel that any effective, realistic civil defense program has to be oriented around the requirement for shielding our population against fallout radiation.

I think the House report's conclusion was a clear difference with this judgment. The House action knocked out everything in the budget that went to meet that requirement.

This may be an oversimplification but, in general, that is what has happened.

SHELTER IN FEDERAL BUILDINGS

Senator SALTONSTALL. Well, the way this is worded now, as I see it, it would not necessarily limit the Secretary of Defense in his military construction to fallout shelters purely, would it?

It could be used for additional military construction or it could be used for fallout shelters, presumably.

It would be used for fallout shelters, but as I read this amendment.

NEED FOR QUALIFICATION OF PROPOSED AMENDMENT

Mr. PITTMAN. The amendment that we are proposing?

Mr. SALTONSTALL. Yes, the amendment which you are proposing. It could go into any military construction?

Mr. PITTMAN. No.

Senator SALTONSTALL. That language would have to be qualified still more, if we are going to put that language back in, as I see it.

SECTION 303 PROPOSAL

Mr. PITTMAN. We have proposed that section 303 and a counterpart, general provision, in the House bill be modified to permit us to build protective features into new construction and modification of existing buildings.

Senator MAGNUSON. Well, what new construction? Government?

Mr. PITTMAN. Federal buildings, both military and civilian.

Senator MAGNUSON. Well, the GSA builds the Federal buildings.

Mr. PITTMAN. Well, of course, the three services are also engaged in constructing buildings.

Senator MAGNUSON. Yes, but what I am trying to get at is this:

Is this for military construction or is it for Federal construction?

FUNDS FOR MODIFICATION OF EXISTING BUILDINGS

Mr. PITTMAN. In the civil defense appropriation request there are funds only for modifying existing buildings.

There are no funds for new construction of any kind.

Senator MAGNUSON. And GSA is authorized, if we give them the money, to modify or put into a new building civil defense features?

Mr. PITTMAN. Correct.

Senator MAGNUSON. So the Senator from Massachusetts and I are trying to find out if this amount is only for the military?

Mr. PITTMAN. The $35 million?

Senator MAGNUSON. Yes.

Mr. PITTMAN. No, it is $15 million for the military and $20 million for Federal buildings of a civilian type.

Senator MAGNUSON. Well, do you turn that over to GSA then?

Mr. PITTMAN. Some of it. Of course, there are other agencies involved, the Veterans' Administration and other agencies besides GSA, construct buildings or own buildings which might require modifications.

Senator MAGNUSON. Well, agencies come before us every year and ask us for certain moneys and new buildings and for remodeling buildings for the civil defense features, and we are trying to get this placed.

Where is this now?

NEW CONSTRUCTION IN AGENCY BUDGETS

Mr. PITTMAN. Mr. Chairman, the Bureau of the Budget decided late last year that new construction should be in the budgets of the agencies who had control and ownership of the buildings, and that modification of the existing buildings should be in the civil defense budget.

AMOUNT FOR MILITARY AND CIVIL BUILDINGS

Senator MAGNUSON. I see. Now, we are getting it straight. So part of this would be for modification of existing Federal buildings and part of it for military buildings——

Mr. PITTMAN. Right.

Senator MAGNUSON. And you have broken it down?

Mr. PITTMAN. That is correct, all of it.

Senator ELLENDER. Well, how much of it would be for the civilian?

Mr. PITTMAN. $20 million.

Senator ELLENDER. You mean out of the $35?

Mr. PITTMAN. Out of the $35 million.

PERSONNEL NEEDED

Senator ELLENDER. Well now, assuming you obtain 460 that you had eliminated, how many more people would you require?

Mr. PITTMAN. To operate the program?

Senator ELLENDER. Yes.

Mr. PITTMAN. We anticipate——

Senator ELLENDER. In other words, is your budget so presented to us that you ask for the number of people required in the event you get the 460 that is authorized?

Mr. PITTMAN. The number of people that we are assuming in this budget request does not take into account the shelter incentive program. It would be a fund of $450 million.

The extra $10 million requested is to meet the administrative costs of the shelter incentive program. So there are additional funds requested in connection with the new shelter program, new construction of privately owned shelters, which would be considered at the time of the hearings on that item, and which are not at issue in this hearing.

Senator ELLENDER. Well, how many people have you now employed in anticipation of getting this $460 million?

Mr. PITTMAN. None.

Senator ELLENDER. None? And if this amount is given you the $10 million you speak of would be used in order to hire people to carry out the program?

Mr. PITTMAN. We are going to do——

Senator ELLENDER. Is that right?

WORK BY OTHER ORGANIZATIONS

Mr. PITTMAN. A good deal of this we feel will be done outside of our office by other organizations in the Government and, therefore, we will be——

Senator ELLENDER. Such as?

Mr. PITTMAN. Well, the Corps of Engineers will be increasingly active, if we get into this——

Senator ELLENDER. Well, is that for civilian as well as military?

Mr. PITTMAN. We are now using the Corps of Engineers on our entire civilian shelter program.

They have developed an expertise on this subject which will be extremely useful if we get into the new program.

The Hill-Burton element in HEW, is another example. They are already engaged in direct relations with hospitals on new construction. We would anticipate that they would do a great deal to carry the slight increase in the administrative burden of building in protective features in this new construction.

FUNDS FOR PARTIAL REIMBURSEMENT

Senator ELLENDER. Since you mentioned the HEW and the Hill-Burton Act, how will any part of this 460 be used by way of contributions, that is, putting in shelters that you recommend?

Mr. PITTMAN. It is a financial contribution.

Senator ELLENDER. Is it——

Mr. PITTMAN. It is a financial contribution to the institution that owns the building.

Senator ELLENDER. Well, is it a part of the cost or is it the whole cost?

Mr. PITTMAN. In most cases it will meet a part of the incremental shelter costs.

CONTRIBUTION OF AGENCIES INVOLVED

Senator ELLENDER. So that the hospital would have to put up quite a bit in order to comply, I assume, with the requirements that you make, so as to make them available to a part of this 460?

Mr. PITTMAN. Our purpose is to provide the funding that we make available to the hospital in a way that will encourage them to use some ingenuity to change design, to find a low-cost solution to the fallout problem.

We are proposing to offer $2.50 a square foot toward creating new shelter space.

Senator ELLENDER. You mean, in the whole hospital, of $2.50?

Mr. PITTMAN. Well, to whatever portion of it will be accepted as qualified as shelter space and which will meet our standards.

There are some who say that this is a totally inadequate contribution and that it will cost a great deal more than that. However, we believe that there will be instances where the ingenuity in development of design and lowering costs can be covered by that $2.50 a square foot.

Of course, if they can do it for less than that, we would not give them $2.50. We would give them the actual cost.

ELIGIBILITY OF PRIVATELY OWNED INSTITUTIONS

Senator ELLENDER. How about privately owned buildings or shelters?

Mr. PITTMAN. The incentive would apply to privately owned hospitals, schools, colleges, as well as public institutions.

Senator ELLENDER. No privately owned home or——

Mr. PITTMAN. No; it applies to no institution that is a profitmaking organization. It is only for nonprofit institutions.

We have selected types of institutions which, we feel, have community responsibilities and that are managed by civic leaders, partly because we anticipate the impact of this will lead to a good deal of unsubsidized shelter construction.

Senator ELLENDER. Well, that probably will incorporate public schools?

Mr. PITTMAN. Yes.

Senator ELLENDER. Private schools?

Mr. PITTMAN. Private schools, sectarian and nonsectarian schools.

Senator ELLENDER. Thank you.

CONSTRUCTION OF FALLOUT SHELTERS

Senator MAGNUSON. Well, let's—again, I am trying to get this in perspective.

The House put in section 303——

Mr. PITTMAN. Right.

Senator MAGNUSON. That says that no part of any appropriation contained in this or any act or any funds available for expenditure by a corporation or agency shall be used for the construction of fallout shelters unless the specific projects have been authorized by the appropriate committees of Congress.

So, with this language, you cannot do anything about any fallout shelters, modification of any building, Federal building or otherwise, without the authorization of the committees of Congress?

Mr. PITTMAN. I would make one exception or, at least, point out that you cannot build a great many of the buildings that are proposed to be built in the next fiscal year without creating fallout shelter space.

This building we are in today will protect some 18,000 people. It was not designed for fallout shelter protection.

INTERPRETATION OF LANGUAGE

Senator MAGNUSON. Well, how do you interpret this language?

Mr. PITTMAN. It is very difficult to interpret.

Senator MAGNUSON. Well, I interpret it to say that they tell you not to build any fallout shelters unless the committees of Congress would tell you where and when to build them.

Mr. PITTMAN. Well, I would hope that it does not say that no one can build buildings that, incidentally, provide fallout protection at no cost.

It might——

Senator MAGNUSON. Well, I would like to see a building that there wasn't some extra cost to put this in.

Mr. PITTMAN. Well, we are in one. There are many such buildings. The survey found shelter space for 60 million people in buildings that were designed and built without any thought to fallout shelter space.

Senator MAGNUSON. Well, that is all done. They are there.

You do not need the money for that.

Mr. PITTMAN. That is right. But I am making the point that it is not as simple as it appears on the surface to determine whether a design was created in order to provide fallout shelter space or not.

SHELTER SURVEY

Senator MAGNUSON. Well, I think we had better start back here.

Go to page 9 of your statement, which I have read. This is your first request.

The rest of the justification of the program and what you are doing is here. Is that not your first request on page 9?

Mr. PITTMAN. Yes, it is.

Senator MAGNUSON. Yes. There you say, $207 million was appropriated in fiscal 1962; $140 million was authorized by Congress for the initiation of a program to survey and mark shelter space in existing buildings, and to provision these shelter spaces on an austere basis.

1963 FUNDS TO COMPLETE SURVEY

The fiscal 1963 year has presented a request of $56 million for the completion of this phase of the Federal civil defense program and for continuing the survey for new buildings as they are constructed.

Now, you are asking for—how much did the House give you for this program, first?

Mr. PITTMAN. Zero.

Senator MAGNUSON. Zero. And you are asking for $56 million to complete the survey, which is being done by the Army Engineers.

Is that correct?

Mr. PITTMAN. And the Navy Yards and Docks.

Senator MAGNUSON. And Navy Yards and Docks, to complete the survey.

STAGE OF COMPLETION

How far completed is it now?

Mr. PITTMAN. The survey of the space that existed in 1962 and before has been virtually completed.

FUNDS FOR SURVEYING NEW BUILDINGS

We want $8 million to continue the process of surveying new buildings as they come into existence; next year and thereafter.

Senator MAGNUSON. For what buildings? New buildings?

Mr. PITTMAN. Yes, new buildings that are being constructed all the time.

Senator MAGNUSON. Any new buildings, Federal, private, or what, institutions or whatever they are——

Mr. PITTMAN. Correct. We want a complete inventory of all buildings that will serve this shielding purpose.

Senator MAGNUSON. And $8 million will do that?

Mr. PITTMAN. $8 million will do that.

Senator MAGNUSON. All right. What is the other $56 million?

SHELTER SPACE PROVISIONS

Mr. PITTMAN. To provision the shelter space.

Senator MAGNUSON. What is it? Forty-four—no——

Mr. PITTMAN. $48 million.

Senator MAGNUSON. What is the $48 million for?

Mr. PITTMAN. To provision the shelter space that we found, 60 million odd spaces that we have found to date, and the additional spaces that we will find during the coming fiscal year.

Senator MAGNUSON. So the $48 million will be used, as I understand it, or whatever amount the committee may see fit to give, to go to the places that have already been surveyed, and to provision them on this basis, this criteria which you have set up?

Mr. PITTMAN. Correct.

Senator MAGNUSON. And that would be all kinds of buildings, would it?

Mr. PITTMAN. All kinds of buildings. There would be some exceptions, where sensitive areas, military buildings, would make them ineligible for practical reasons.

But wherever the building owners agree to make them available they would be provisioned, provided the need exists.

In some cities there could be an excess of space. We would not stock the space that is not determined to be needed in relation to population.

Senator MAGNUSON. Would 48 million furnish the amount of provisions for all the shelters that have been surveyed?

Mr. PITTMAN. Yes; because that is added to what we have procured from fiscal 1962 funds, which is most of it.

Senator MAGNUSON. That would clear it up?

Mr. PITTMAN. Yes.

Senator MAGNUSON. And then with the 8 million you will probably find some more, but you would have to come back and ask for more?

Mr. PITTMAN. No; we have included——

Senator MAGNUSON. That is included?

Mr. PITTMAN. Yes; we have included 8 million for that purpose.

Senator MAGNUSON. So that makes up your 56 million?

Mr. PITTMAN. Correct.

Senator MAGNUSON. For that purpose?

POSSIBLE TIME TO COMPLETE PROJECT

How long will it take the Army Engineers to finish the project?

Mr. PITTMAN. Well, verifying the 60 million spaces that have been found already—which we call phase 2 of the survey—this will be completed within the next month or two.

The survey that will be financed by the 8 million will be going on through the winter, and we would——

Senator MAGNUSON. And who will do that?

ADMINISTRATIVE MANAGEMENT BY NAVY AND ENGINEERS

Mr. PITTMAN. The Army Corps of Engineers and the Navy Yards and Docks will continue to take administrative management responsibilities for that, using architectural engineers.

Senator MAGNUSON. And will you reimburse them for the 8 million? Is this a reimbursable item——

Mr. PITTMAN. Yes.

Senator MAGNUSON. For the work that they are going to be doing?

Mr. PITTMAN. Yes.

Senator MAGNUSON. Over and above——

Mr. PITTMAN. That will be the principal charge against the 8 million.

LIMITATION ON LANGUAGE APPLICATION

Senator MAGNUSON. Now, why do you want to go ahead and survey new buildings when this language says you cannot do it?

You are assuming that if the language is knocked out or changed you will do this?

Mr. PITTMAN. No; first of all, that language clearly goes only to Government-owned buildings and the survey, of course, covers all types of buildings.

Senator MAGNUSON. So that if this language stayed you would use a part of that $8 million for continuing the survey of all types of buildings being built?

Mr. PITTMAN. Yes.

Senator SALTONSTALL. Well now, Mr. Chairman, will you yield there?

Senator MAGNUSON. Yes.

IMPORT OF LANGUAGE ON "CORPORATION OR AGENCY"

Senator SALTONSTALL. This says any funds available for expenditure by any corporation or agency.

Now, does that not go outside of the Government?

Mr. PITTMAN. Well, in the context of that act, I am advised by counsel that it means Government agencies or corporations.

Senator MAGNUSON. I think they meant Government corporations.

Senator SALTONSTALL. Yes.

DIFFERENCE BETWEEN CREATING AND SURVEYING SHELTER SPACE

Mr. PITTMAN. I also would like to say that I do not interpret that language to preclude the survey of Federal buildings.

I believe that language goes to creating new shelter space with identifiable costs in Federal buildings I do not think——

Senator MAGNUSON. Well, that comes under General Services?

Mr. PITTMAN. And other agencies.

Senator MAGNUSON. Defense and General Services?

Mr. PITTMAN. And the Veterans' Administration in the case of hospitals.

Senator MAGNUSON. Yes; in the case of hospitals.

Mr. PITTMAN. I am making a distinction between creating new shelter space and surveying existing shelter space.

Senator MAGNUSON. Now, if this language stays in, and you are not permitted to survey Government buildings, how much of the $8 million will you need for other surveys?

PERCENTAGE TO GOVERNMENT BUILDINGS

Mr. PITTMAN. The Government buildings would be a very small part of the total.

Senator MAGNUSON. Well, what would you say? Seven or six?

Mr. PITTMAN. Well in terms of——

Senator MAGNUSON. That is, to furnish this nationwide survey.

Mr. PITTMAN. It would be a few percent and no more.

Senator MAGNUSON. Well, would you say 7? Seven decimal five?

Mr. PITTMAN. No. Of the 60 million spaces we found so far, it would be about 5 percent.

Senator MAGNUSON. So that would be 76 which would be the amount to finish this survey if this language stayed in?

HOUSE LANGUAGE

Mr. PITTMAN. Well, again, Mr. Chairman, I do not believe that the members of the House committee would interpret their own language to apply to the survey of Government buildings.

On the face of it, I think it is quite clear that they were talking about creating new shelter space and construction costs.

Mr. MANNING. It runs to construction, Mr. Chairman.

Senator SALTONSTALL. It is for construction?

Mr. MANNING. Yes.

Senator MAGNUSON. Construction. So then the 8 million, under your interpretation, would not be prohibited by this?

Mr. PITTMAN. That is correct.

STOCKING OF SHELTERS

Senator MAGNUSON. And the 48 million would take care of the stocking.

Now, tell us what you stock these places with in general.

Mr. PITTMAN. The most important items are food and water. We are providing water containers which would be filled on the spot in the buildings, 17½ gallon metal——

Senator MAGNUSON. Now, just a minute right here, so that we will get this straight.

You say supplies for 37 million of the 60 million spaces. Are you talking about supplying 37 million——

APPLICATION OF 1962 FUNDS

Mr. PITTMAN. Funds for fiscal 1962 have already been obligated to take care of 37 million spaces.

Senator MAGNUSON. And these would be the additional?

Mr. PITTMAN. These would be the additional.

ITEMS OF SUPPLY

Senator MAGNUSON. All right. Tell us how you are going to supply them.

Mr. PITTMAN. In a word, it is water stored in containers, all of which would have a shelter life exceeding 5 years.

The food would be a wheat-based wafer, a hardtack item, which would provide 10,000 calories per person sheltered, which would be enough to sustain them for a 14-day period, if necessary.

The medical equipment would be essentially items that would be of the kind that people who are not doctors could use.

Radiation-detection equipment, which is most important, would be there to assist people in finding their way out of the shelter space when the radiation levels have died down, but are still quite hazardous.

This would permit the occupation of the other parts of the building well short of the maximum period of 14 days——

Senator MAGNUSON. In other words, it is the bare necessities to keep a person going?

Mr. PITTMAN. It is the bare necessities.

Senator MAGNUSON. How about oxygen?

Mr. PITTMAN. No oxygen.

Senator MAGNUSON. Is that too costly?

Mr. PITTMAN. I will go into this at greater length, if I may.

A number of items of equipment and methods of building shelters, which would make them very much more expensive if you were trying to protect people against all of the hazards of nuclear attack, can be built. We have deliberately bitten off what we think is the most manageable part of the problem, fallout radiation, and are not attempting to build shelters which would preserve people in firestorms and extreme heat——

5-YEAR LIFE OF SHELTER STOCK

Senator MAGNUSON. Now, if you say this will sustain them for a 5-year stock——

Mr. PITTMAN. The shelter life of the stock would be in excess of 5 years.

Senator MAGNUSON. So if they are not used next year you will not come back here and ask for any more money?

Mr. PITTMAN. We would not.

Senator MAGNUSON. Can we depend on that?

Mr. PITTMAN. Yes. The only thing that I would like to reserve is that we would have to work out with the State and local governments the best arrangements we can for them to take responsibility for replenishing stock, if something goes wrong.

Senator MAGNUSON. Well, I would not limit it.

If we are going ahead with this program there might be some deterioration which you do not know of right now——

Mr. PITTMAN. We would like to put this responsibility on the State and local governments, if they are able to do it.

Senator MAGNUSON. But this would be the initial big expenditure for this?

Mr. PITTMAN. That is right.

Senator ELLENDER. Senator Magnuson, will you yield?

Senator MAGNUSON. Yes.

PREPARATION OF STORAGE SPACE

Senator ELLENDER. Tell me, who prepares the spaces within the building around which food and water are stored?

At whose expense is that prepared?

Mr. PITTMAN. The owner of the building has been asked to provide the space for storage with no compensation.

Senator ELLENDER. Do you find any difficulty in having them do that?

Mr. PITTMAN. Some have been surprised at the favorable response we are getting.

Senator ELLENDER. And they provide the space and everything necessary to protect it during the period that it is there for use in case of necessity?

Mr. PITTMAN. Well, they are not responsible for the supplies. The local government is responsible for the supplies.

The building owner merely provides the space.

Senator ELLENDER. Rent-free?

Mr. PITTMAN. Rent-free. This will work if the country is led to believe that this is a serious and necessary undertaking.

It will not work if there is any doubt about that.

Senator ELLENDER. I think you have a lot of people beating the drums now to make sure that it is necessary.

Mr. PITTMAN. Well, we are trying to communicate——

Senator ELLENDER. They have been doing that for 7 or 8 years now.

Mr. PITTMAN. I think it is a little different message right now, but we are trying hard to communicate the judgment that was made by the President and the Secretary of Defense on the need for this.

It has been a matter of some controversy, as you know.

Senator HOLLAND. Mr. Chairman?

Senator MAGNUSON. Yes.

LOCATION OF CENTERS

Senator HOLLAND. These shelters are located in communities where they will serve 100 percent of the needs of the population in them?

Mr. PITTMAN. Well, we will not create shelter space that exceeds the population requirements and, of course——

Senator HOLLAND. I understood that part, but what I am asking you now is, are these shelter spaces, which you are stocking, suffi-

cient to serve 100 percent of the population in these particular communities?

Mr. PITTMAN. No. In some communities this is true, but I would say in most, it is not true.

SELECTION OF SHELTER OCCUPANTS

Senator HOLLAND. How do you go about selecting personnel who will be entitled to shelters?

Mr. PITTMAN. You raise there a complex problem which we are working out with State and local civil defense organizations.

A shelter utilization plan, as we call it, is necessary in each of these communities. Our concept has been that each community must project ahead several years, at least 5 years, as we have, then use the block of shelter space that has been found under the survey as the start and make plans for creating additional shelter space that is to take care of the entire population of the community.

If we were to come forward with the second phase of this program, which is the shelter incentive program, not yet authorized, we would provide them with an additional block to help develop a total community solution.

Part of the answer is going to have to come from industry taking care of their employees, from other institutions which will not be eligible for Federal help, and some of it from home shelters, which would be a much livelier subject, I think, once there is a local system of community shelters to tie into.

METHOD OF CHOOSING COMMUNITIES

Senator HOLLAND. How are the communities chosen as to which this fallout shelter program, which is, in some cases, adequate and in some cases not adequate?

Now are those communities chosen out of all the communities?

Mr. PITTMAN. By the accident of where the buildings are.

Senator HOLLAND. Are we to understand that this shelter for 60 million individuals represents substantially all of the shelters available without additional construction from buildings now in existence?

LIMITATION IN SIZE OF SHELTER

Mr. PITTMAN. Some buildings we believe—well, let me say "no" to that. We have limited ourselves to shelter space for 50 or more people. There is additional shelter space in smaller places, most of the residential shelter which will provide added protection, because of the nature of the construction, for groups smaller than 50 people.

We allow 10 square feet per person. So this is space under 500 square feet.

In addition, there is a good deal of shelter space—enough for another 68 million people—which does not fully meet our standard, which we have arbitrarily set as a protection factor of 100. This means that the radiation is cut a hundred times, so it is a hundred times greater on the outside.

We found 60 million shelter spaces which measure up to somewhere between a 40 and 100 protection factor. This is good space

that could save lives in a nuclear attack in large areas of moderate radiation levels.

We are giving this information to local civil defense organizations so that they can use it for interim planning to help meet the problem that you raised.

What about the rest of the people? New shelter space must be created. Some of this space can be improved to bring it up to a 100 protection factor at low costs.

Senator HOLLAND. It is additional space of 60 million spaces or 68 million spaces, such as to include the space that is available in private residences?

Mr. PITTMAN. No. Our survey has been confined to shelter space for 50 or more people. So we have not picked up space in the smaller buildings.

We believe this should be done with the principal responsibility and work on local organizations and local governments. We plan to provide technical assistance in helping them get at the job.

AVAILABILITY OF SMALLER SHELTER SPACES

Senator HOLLAND. Do you have any estimate of the amount of shelter space available in spaces smaller than 50?

Mr. PITTMAN. I do not have any estimates that are worth talking about.

PROTECTION FACTORS

Senator HOLLAND. What did you mean by "shelter space"?

From what kind of radiation would this kind of shelter space be adequate to protect?

Mr. PITTMAN. Most of it would be adequate only against fallout radiation. It will cut, as I said the radiation levels by a hundred times.

Some of it will provide a good deal more protection against radiation. In this building much of the space would cut the radiation by a thousand times.

In downtown areas of cities, there are quite a lot of heavily constructed buildings, in which you also have incidental protection against blast and heat—5 to 10 pounds per square inch—which is significant blast resistance.

It would be enough to save lives at a certain distance from the point of detonation.

You get an incidental bonus here, but we are planning the program on more minimal protection for as many people as possible against fallout radiation throughout the Nation.

FINDINGS OF DEFENSE DEPARTMENT STUDIES

Of course, our reason for doing this is based on the results of the systematic and elaborate studies we have been making in the Defense Department which show that pretty much the whole country is exposed to this risk—most of it would be under a blanket of fallout.

We have roughly estimated that 75 percent of the land would be under fallout radiation, whereas only 4 percent of the geography would be exposed to the blast heat.

SHELTER PROVISIONS

Senator HOLLAND. On what basis do you figure that the 14 days' supply is adequate?

Mr. PITTMAN. This has been closely calculated on the basis of our knowledge of the rate of decline of radiation intensity.

It drops off very rapidly. In 2 days it would be about 1 percent of what it was at the beginning. The residual radiation, of course, is more dangerous to people who have already absorbed some radiation than those who have not.

So it is a very complex matter to instruct people as to how to come out of shelters and when to come out.

But taking account of all that is known, the range of shelter occupancy should be somewhere between 3 days and 14 days, depending on where you are located in relation to the explosions.

DURATION OF SHELTER OCCUPANCY

Senator HOLLAND. Well, obviously, you think that 14 days is long enough and adequately enough to protect against this particular menace?

Mr. PITTMAN. Yes, for almost all of the territory. There will be some hot spots which would make it inadvisable to come out, even for short trips, unless there has been some decontamination work done.

Part of the program goes to developing techniques for decontamination which would shorten the period for shelter occupancy.

Senator SALTONSTALL. Will the Senator yield? Are you through?

Senator HOLLAND. I will yield.

COST OF STOCKING SHELTERS

Senator SALTONSTALL. I would like to ask this question:

On page 6 of your proposed amendment you stated, following up what the chairman said, "Permit the total stocking of 59 million spaces for fiscal 1962 and 1963" and you estimate $48 million for stocking these.

Now, that would mean how much money for each space?

UNIT COST FOR STOCKING

Mr. PITTMAN. The unit cost for stocking the space is running a little over $2.

Senator SALTONSTALL. $2?

Mr. PITTMAN. Yes.

Senator SALTONSTALL. All right. Then you assume, for instance, in my State of Massachusetts we have 50 spaces. That would mean Massachusetts would get about $100 from the Federal Government for stocking those spaces.

Is that correct?

Mr. PITTMAN. Massachusetts would get the full cost of buying the stocks and moving them into warehouses nearby.

The burden on the cities of Massachusetts would be picking them up in the warehouses and obtaining the permission of the building owners to permit their space to be used as fallout shelters.

Senator SALTONSTALL. And then you expect after that there will be no request from the Federal Government for that purpose?

CONTINUOUS STATE RESPONSIBILITY OF INSPECTION

Mr. PITTMAN. In terms of the burden on the cities of Massachusetts there would be a continuing responsibility for inspecting the shelter supplies and, in the case of radiation detection equipment, recalibrating them every 6 months. There are continuing responsibilities in connection with this problem.

Senator SALTONSTALL. What I am getting at is that several of us, who have been sitting here today, have been Governors and if the Federal Government once goes into a program it is going to be mighty difficult to get the State Governors to take it over.

DIVISION OF RESPONSIBILITY SOUGHT

Mr. PITTMAN. What we have tried to do is define a division of responsibility here which will stand up over the years.

The Federal Government is making most of the capital investment in this project. We are asking the State governments to take on the responsibility for recurring costs and continuing operations.

Now, these are not monumental costs. They would not be the only costs of an effective civil defense program, but I would not think that they would be as large as some of the current civil defense expenditures in the States.

Senator SALTONSTALL. Well, I just wanted to add this.

I think that that is the point that we have got to consider here in making any statement and decision on appropriations and once they make that appropriation or decision to undertake the service to the States, it is going to be very, very difficult to get the States to take over that service.

Mr. PITTMAN. Yes. I think that it makes a lot of difference what functions we are talking about.

As far as surveying goes, we do not propose to ask the States to do what remains to be done. It will not be much of a job.

STATE FUNCTIONS OF INSPECTING AND MAINTAINING STOCK

We think it can be done rather cheaply in years ahead.

As far as inspecting, maintaining, and looking after the shelter stocks, we plan State and local governments picking that job up at the outset and continuing to do it for some years.

Senator MAGNUSON. This is about $2 a shelter?

Mr. PITTMAN. About $2 Federal cost for a shelter space for initial stocking.

Senator MAGNUSON. Why would not 50 people get together and chip in and pay for that?

Mr. PITTMAN. I do not think they could do it for anything approaching that price. We have been able to bring the cost down, really quite phenomenally, through nationwide procurement and being extremely systematic about it.

The development of requirements for this unique purpose is a very difficult task, which could not have been done by small groups of people separately.

VARYING REQUIREMENTS

Senator MAGNUSON. Of course, some shelters will require more than others?

Mr. PITTMAN. That is right.

Senator MAGNUSON. I mean, they will vary?

Mr. PITTMAN. That is right, depending on the size of the shelter area.

Senator MAGNUSON. But this is a small amount for local contribution if they buy it for them.

14-DAY RATION OF WHEAT WAFERS

Senator HOLLAND. How many pounds of this hardtack, that you described, of wheat or whatever it was, would be included in each ration for 14 days?

Mr. PITTMAN. Five pounds.

Senator HOLLAND. And that involves 300 million pounds, 5 pounds for each of the 60 million spaces, and you add additional millions of spaces which you say are partially——

Mr. PITTMAN. Substandard spaces, yes.

Senator HOLLAND. And those in homes, it might easily double that amount or come to something like 300,000 tons of wheat to be used for this purpose alone?

Mr. PITTMAN. I think that gives some idea of the size of the market. But the Federal share of financing this, under our program, is limited to public shelters. This excludes a good deal of the smaller buildings and homes that you mentioned.

If we go into the second phase of the President's program, the shelter incentive program, where we would put some Federal money into creating new shelters, we would stock those shelters at Federal cost. That would add a continuing requirement for shelter stocks for perhaps 5 years.

EFFECT ON SURPLUSES

Senator HOLLAND. 300,000 tons of wheat, diverted from any ordinary market use would be a substantial help toward the reduction of the surplus now on hand, would it not?

Mr. PITTMAN. Yes. I think that the amount of wheat that would be contributed to the immediate task of stocking these 60 million spaces will probably be noticeable in those terms.

Senator HOLLAND. In addition to that, there will be, of course, the cost of transportation and of——

Senator MAGNUSON. And processing.

Senator HOLLAND (continuing). And distribution.

Senator MAGNUSON. Well, could I ask this question?

Could I ask whether they plan to use surplus grains furnished to the people for processing or are you going out and buy them?

Mr. PITTMAN. We are contracting with the processors to provide the wafers.

It would be impractical for the Defense Department to go into the grain buying business and then turn the items over to the processors.

Senator MAGNUSON. The Government would be buying back its own grain.

Is that right?

Mr. PITTMAN. Well, I think it contributes to the problem of surplus grain only indirectly, that is——

Senator HOLLAND. Wherever it comes from, it comes from the stocks on hand, does it not?

Mr. PITTMAN. That is correct.

Senator HOLLAND. So it does contribute to that amount in a reduction of the surplus stock?

Senator MAGNUSON. We are buying it back?

Senator HOLLAND. Yes. I do not know whether this was conceived as a matter of reduction of an agricultural surplus, but it seems to have distinct possibilities in that field.

Mr. PITTMAN. I can assure you that it was not conceived that way, but there are many byproducts of this program that will make a contribution in directions that did not originally justify it.

Senator ELLENDER. And to the whole economy?

Mr. PITTMAN. And to the whole economy. Of course, to the underemployed steel, concrete, and construction part of the economy, the second phase of the program would provide the most stimulus.

Senator MAGNUSON. Senator Monroney, do you have any questions on this item?

FACTORS IN SAFETY, VARIOUS WEAPONS' EFFECTS

Senator MONRONEY. One thing I would like to ask is: How far away from the blast heat area, target area, do you consider would be safe for people who would still be able to get in the shelters?

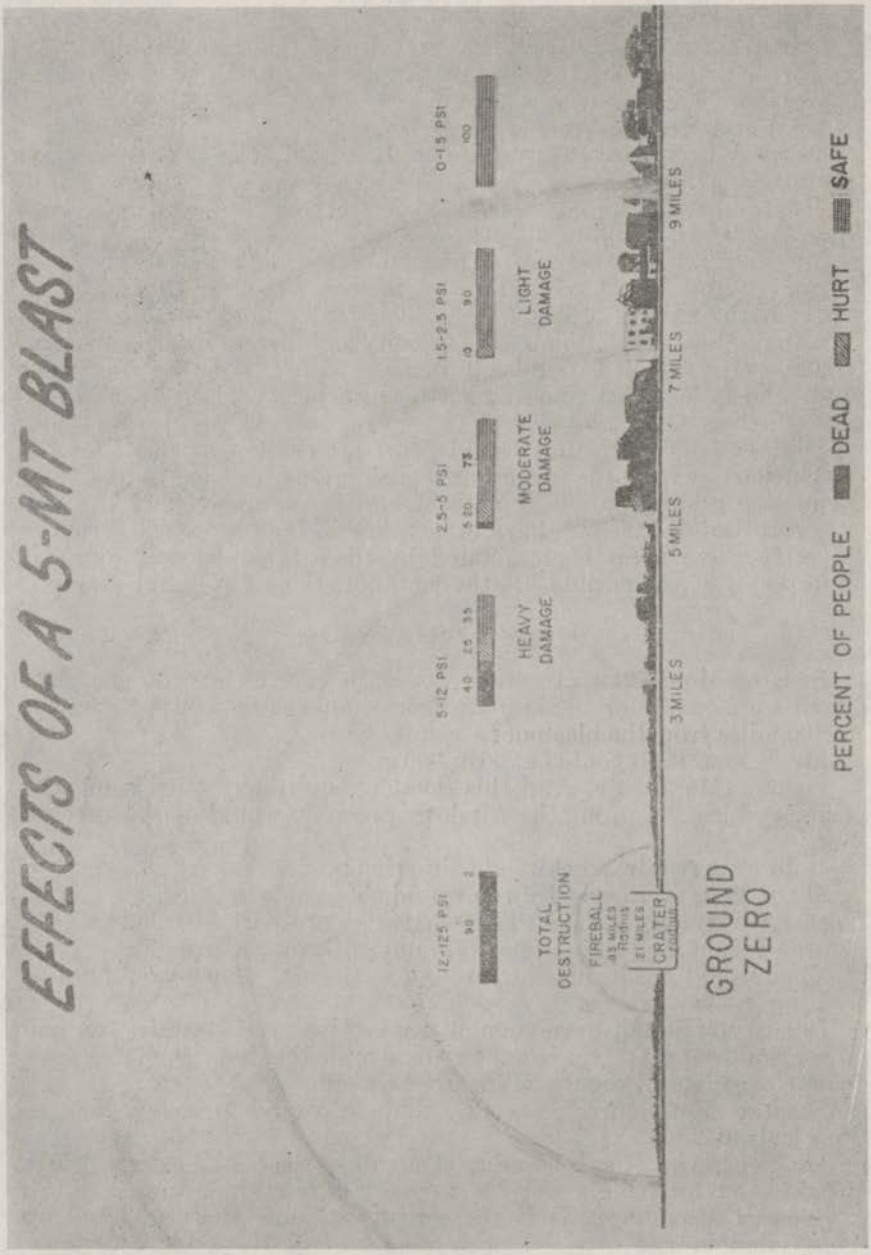
Mr. PITTMAN. It depends, of course, on the size of the nuclear explosion.

We have figures on a 5-megaton explosion and on a 20-megaton explosion, which I can give you.

The 5-megaton is the one we have used as a reference point for public information purposes. In spite of all the talk about the high-yield weapons, we believe that a practical packaging is in the 5 megatons and under range for a variety of purposes.

Now, for 5 megatons, the number of miles from a ground burst, where there would be nearly total survival in the fringe blast and heat, I would put at about 5 miles. A significant proportion might survive at 3 miles. I have a chart to show this which you may wish to have in the record.

(The chart referred to follows:)


EFFECTS OF A 5-MT BLAST
12-125 PSI
90
2
TOTAL DESTRUCTION
5-12 PSI
40
25
35
HEAVY DAMAGE
2.5-5 PSI
5-20
75
MODERATE DAMAGE
1.5-2.5 PSI
10
90
LIGHT DAMAGE
0-1.5 PSI
100
FIREBALL
CRATER
GROUND ZERO
3 MILES
5 MILES
7 MILES
9 MILES
PERCENT OF PEOPLE
DEAD
HURT
SAFE

SPREAD OF FALLOUT

Senator MONRONEY. A 5-mile radius?

Mr. PITTMAN. A 5-mile radius; yes.

Senator MONRONEY. That is a 5 megaton?

Mr. PITTMAN. Yes.

Senator MONRONEY. Then the intensity of the fallout would vary in direct proportion, I guess, to the nearest to that 5-mile radius where there would be people left alive?

Mr. PITTMAN. That is generally correct.

Senator MONRONEY. How far out then would the fallout go from the primary blast?

The ordinary clean bomb, or do you call them clean or dirty bombs now, is what I am talking about.

Mr. PITTMAN. We talk about ground bursts and air bursts.

For ground bursts, as you know, there are tons of earth scooped up into the earth's atmosphere, which comes down within several hundred miles, depending on the velocity and direction of the wind.

This is the fallout I would call wartime fallout. It is quite different from the fallout that comes from testing where you have the fallout dust circling the globe several times over several weeks and losing the kind of intensity that would penetrate the body.

The danger from the test fallout—also present in local fallout from a nuclear ground burst—is in the long-life isotopes left in the soil. A great deal of care will have to be taken in the postattack period to identify those areas contaminated by these low-intensity, long-life isotopes such as strontium 90—the contamination of milk, for example.

EFFECTS OF 5-MEGATON BLAST

Senator MONRONEY. In other words, in your estimation one place from a 5 megaton or a safe place from a 5 megaton would be 5 miles to 100 miles from the blastout?

Mr. PITTMAN. It could be 200 or 300 miles.

Senator MONRONEY. And this doesn't require any outside of your primary blast. I mean, the windows probably would not be knocked out.

It does not require any airtight situation?

Mr. PITTMAN. Physically you would not be able to detect any difference from a normal day. These particles are perhaps the size of a grain of sand, and they would fall and settle on the ground.

They would not be blowing around in the air. They would not be coming in the windows.

But if you do not have enough mass of material between you and those grains of sand lying on the ground or on the roof, rays from these particles could kill you if you absorbed enough.

Senator MONRONEY. So your windows would probably not be knocked out?

Mr. PITTMAN. That is correct. Outside of the blast-heat area there would be no broken glass problem or lack of oxygen or air.

Senator MONRONEY. It is the settling of dust that is kicked up that is dangerous?

Mr. PITTMAN. That is correct.

Senator MONRONEY. If you have a high wind, that would probably churn it up?

Mr. PITTMAN. It is conceivable that a high wind could churn it up. Of course, here we are dealing with a very imperfect solution to a tremendous problem, and if the condition we are able to meet can be said to be generally prevailing that is good enough to justify the effort.

Senator MONRONEY. Under the general climatic conditions and the ground dust, if it settled, you have to deal with that?

Mr. PITTMAN. That is correct.

SHELTER IN FEDERAL BUILDINGS

Senator MAGNUSON. All right. Now, on page 10, at the bottom of the page, you say this. You say that——

In fiscal year 1962 the Federal Government has led municipal governments and building owners into bringing into use shelter space for 60 million people; has provided encouragement in many forms of industry, local governments, and homeowners, to create fallout shelters at their own expense, and has expanded a shelter-oriented civil defense program.

It is vital, therefore, that the Federal Government do, in its own buildings, what it is leading public and private organizations around the country into doing.

Apart from the obvious damage to the President's program which results from the failure of Government to do what it ask others to do, a valuable opportunity will be lost to develop low-cost design and innovations for the benefit of owners of buildings.

I strongly urge the restoration of $35 million for the continuation of this portion of the civil defense program.

Now, what did the House give you for this program?

Mr. PITTMAN. Zero.

Senator MAGNUSON. And you are asking $35 million to develop low-cost designs, innovations for the benefit of the non-Federal owners of buildings?

Now, explain that.

Mr. PITTMAN. To do what we are telling others to do, and to shelter people in the communities around these Federal buildings——

Senator MAGNUSON. Is this part of the $35 million to be used for Federal buildings, too?

Mr. PITTMAN. Yes, only for Federal, including military.

Senator MAGNUSON. Oh, this is the one we are talking about?

Mr. PITTMAN. Yes; right.

Senator MAGNUSON. I got misled here when you said non-Federal owners of buildings.

Mr. PITTMAN. The thought is that the experience the Federal Government accumulates——

Senator MAGNUSON. Yes; we understand that.

Mr. PITTMAN. Can be made available to others.

Senator MAGNUSON. Now, in view of the language, if it should stay in the bill as it is, you could not use any part of this unless a committee directed you to.

Is that correct?

NEED FOR ACTION REGARDING HOUSE LANGUAGE

Mr. PITTMAN. My counsel has told me that there is some question about the language, but it appears to me that the intent of the House—of course, if they put the $35 million back and agree to it, I presume that would have a bearing on what their intentions are in 303, but——

Senator MAGNUSON. Well, the point I am trying to make is this: If this committee is going to recommend $35 million for this portion of the program, then we had better first consider what we should do with this language.

Mr. PITTMAN. That is correct.

Senator MAGNUSON. Would that be a fair statement?

Mr. PITTMAN. That is a fair statement.

Senator MAGNUSON. Either to modify it or clarify it or cut it out entirely.

Mr. PITTMAN. Yes.

Senator MAGNUSON. But before that is done, there is no use of the $35 million——

Mr. PITTMAN. Those are companion requests.

Senator MAGNUSON. Yes; the two go together?

Mr. PITTMAN. Right.

Senator MAGNUSON. And that would be, as I understand it, a modification of the existing Federal buildings——

Mr. PITTMAN. Correct.

Senator MAGNUSON. But not new?

Mr. PITTMAN. Not new.

Senator MAGNUSON. Not new.

Mr. PITTMAN. They were all built out of prior-year appropriations.

NEW BUILDINGS

Senator MAGNUSON. Because the new ones will come in with the GSA and the other agencies in their fiscal 1963 construction budget.

Now, this is a matter that has been before the committee on many occasions——

Mr. PITTMAN. Yes.

Senator MAGNUSON. And denied?

Senator HOLLAND. Mr. Chairman, will you yield there?

Senator MAGNUSON. Yes.

FUNDS FOR GSA

Senator HOLLAND. Am I correctly informed that on its construction projection for the last 2 years the GSA has been including this shelter feature in many buildings?

Mr. PITTMAN. In the last year, since we had $7.5 million for new construction and $10 million for modification of existing buildings, we have made funds available to GSA, which is now under contract or being applied to creating shelter space in new and existing buildings.

Now, prior to that time, I am not informed as to what they were doing.

Senator HOLLAND. Well, the new buildings that are now being constructed, which is of such design as to make it appropriate, are including shelter arrangements, are they not?

Mr. PITTMAN. With the exception of the new funds that were appropriated for this purpose last year, I think the answer is "No."

In general——

SECTION 303 LIMITATION

Senator MAGNUSON. Well, what right did you have to give the GSA money to do this when the Senate and the House committees have both told them on new buildings, no?

Mr. PITTMAN. We had an appropriation last year for this purpose of $17.5 million.

The old section 303 was on the books. But we had a legal opinion which said that section 303 did not prohibit it.

The Veterans' Administration was concerned about it and they, with the assistance of the Department of Defense, consulted the GAO to determine whether or not they were authorized to go ahead and use this $17.5 million, and the decision was, yes, they were.

Senator MAGNUSON. After we told them not to do it?

Mr. PITTMAN. Well, the interpretation was the Congress did not tell them not to do that.

Senator ELLENDER. Well, Senator Magnuson, do you not know that Defense is all-powerful?

I think that is why the transfers were made.

PROHIBITION AGAINST NEW FALLOUT SHELTERS

Senator MAGNUSON. Well, we had the argument. First we had to not build the shelters in the new buildings. Then they asked and we had a breakdown.

The costs run about 6 to 10 percent more in the new buildings. We had it building by building, and we said, "Don't build fallout shelters."

Then they came in and asked us if we would allow them, in designing a new building, to so design it that if you wanted to put a fallout shelter in later that they could; in other words, maybe the foundations would be thicker or something of that kind, the design, and we said "all right" as to that, and we broke that down.

But that is as far as we allow GSA to go.

Veterans, as I understand it, did not even ask about it. That is the way I remember it, but we can get the record.

Now, you come along, after we have said that and give them money to put fallout shelters in these buildings.

QUESTION OF PERMISSION UNDER SPECIFIC LAW

Senator ELLENDER. What law did they find that they could do that by?

Could you put that in the record? I guess that is something we overlooked.

Mr. PITTMAN. Yes.

Senator MAGNUSON. I am not discussing the merits of whether we should or should not do it, but this is——

GAO OPINION INSUFFICIENT

Mr. PITTMAN. I wonder if the best way to handle this is not to put in the record the legal opinion that we acted upon and the statement as to GAO's position?

Senator MAGNUSON. Well, we don't care about GAO's position.

Mr. PITTMAN. Well, all right. You are asking why we did it and the basis on which we went ahead was the legal opinion and GAO——

Senator MAGNUSON. Yes, GAO might say that you could do it, but the committee said, as a matter of policy, "No."

Senator ELLENDER. Senator, I have long contended that we pay too many lawyers around here to find loopholes in all of the laws that are passed.

BOMBPROOF VERSUS FALLOUT SHELTERS

Senator MONRONEY. As I recall the testimony, they were asking for bomb explosive-proof shelters in that program, and in this one they are asking, as I understand it, for fallout shelters which is an entirely different breed of cat.

Senator MAGNUSON. No; all we said they could do was design the building at a little extra cost so that in the future, if they wanted to make a fallout shelter, a shock shelter, or whatever kind of shelter they had, the building would be so designed that they could do that.

And the House would not allow a nickel even for that.

INTENT OF APPROPRIATIONS COMMITTEES

Mr. PITTMAN. Would you like to hear from our counsel on why he felt that we not only could, but should go ahead and do that?

Senator MAGNUSON. Well, let's assume that you could legally do this.

Mr. PITTMAN. We are also concerned with the intent of the Congress as a whole.

Senator MAGNUSON. Well, the intent of the two appropriations committees is about as clear as the English language can be when we left here last fall, but you never can tell when we leave what happens after we have gone.

SHELTERS IN FLORIDA BUILDINGS

Senator HOLLAND. My understanding, and I may be wrong, as to certain quite large and expensive buildings being built in my State, is that the fallout shelter is being included, and that involves a small additional payment of, let's say 5 percent.

Am I wrong or correct?

Mr. PITTMAN. If you are correct, I would think it came out of this $17.5 million.

COST FOR ADDING SHELTERS

Senator HOLLAND. Is it your understanding that about 5 percent additional costs is involved in the adding of this new feature?

Mr. PITTMAN. That sounds high to me.

Large buildings could be less than 1 percent. Smaller buildings, could run higher.

Senator HOLLAND. Well, an office building in a city such as Miami or Jacksonville, what would the added percentage, over and above the ordinary construction cost involved, be, to make the shelter construction from the standpoint that you are discussing now?

Senator MAGNUSON. We have got the list of all the buildings. We will get it out of there.

Senator HOLLAND. Well, we have his construction man here. Maybe we can have a statement from him.

Mr. PITTMAN. Mr. Visher, my deputy, is best informed on this part of the program.

I would like to ask him if he would give you some information about the cost increments on the $17.5 million program.

VARIATION IN COST

Mr. VISHER. I think we have gone through and looked at about 1,700 different buildings, and it varies a great deal.

There is one office building in New York we looked at with some 18,000 spaces which cost less than 1 percent to add shelters.

We have found some small post offices in smaller communities where it is running in excess of 5 percent.

So it depends a great deal of the actual size of the building as to how much it costs to add protective features. You have some buildings in Jacksonville, where it is running at $25 to $30 a space, which is an extra $2.50 to $3 per square foot in building costs to add shelter space.

Senator HOLLAND. What percent of the total cost would that be?

Mr. VISHER. That varies.

Senator HOLLAND. Have you got an average?

Mr. VISHER. The average runs about 3 percent, but it varies from less than 1 percent to over 5 percent.

Senator HOLLAND. Thank you, sir.

Senator SALTONSTALL. Mr. Chairman, might I ask several questions for the record?

Senator MAGNUSON. Yes.

Now, we are talking about this $35 million item.

Mr. PITTMAN. Before we go off of this subject I would like to state the position that was taken in deciding to go ahead and use the $17.5 million. This item was specifically authorized by the Appropriations Committees last August when they went ahead with this $207 million amendatory appropriation, following the President's statements on civil defense.

Senator SALTONSTALL. All new buildings?

Mr. PITTMAN. This is new and existing.

Senator SALTONSTALL. New and existing buildings? Existing?

Mr. PITTMAN. Yes, $7.5 million for new construction and $10 million to modify existing buildings.

I just wanted to say for the record that that was the basis for our interpretation.

Senator SALTONSTALL. May I see that?

Senator MAGNUSON. All right. Let's put in the record, on page 10 of the House report, the statement which was agreed to in conference.

The committee has generally reduced the amount for each project by 5 percent which was less than the savings which had been made by the GSA in construction costs, contracts on projects already completed.

FUNDS DISALLOWED FOR FALLOUT SHELTERS

Funds are also specifically disallowed for installing fallout shelters in each project.

That is pretty plain, is it not?

Senator SALTONSTALL. What you say, by reading this, is that it says no in the Defense Department appropriation bill and then there later on it said yes.

PERMISSION FOR SHELTER DEFENSE BILL

Senator MAGNUSON. Let's get this clear. We said no, and the Defense Appropriation Act of August 17, 1961, Public Law 87–144 said—

for expenses not otherwise provided for, necessary for carrying out civil defense activities, including the hiring of motor vehicles and the providing of fallout shelters in existing or new Government-owned or leased buildings, as authorized by law, $207 million.

So it is prohibited in one and allowed in another.

Mr. PITTMAN. Yes.

Senator ELLENDER. See how they can slip things in there?

Senator MAGNUSON. And both laws were signed, I understand, on the same day, August 17.

Mr. MANNING. Mr. Chairman, I will point out for you the number of the Defense Appropriations Act is 144, and is subsequent to the number of the Independent Offices Appropriations Act which is 141.

BREAKDOWN ON $35 MILLION REQUEST

Senator MAGNUSON. All right, let's continue with the $35 million, and I think we understand that if we are going to discuss it we must discuss the problem of modifying, excluding, or changing or clarifying the language that the House put in the bill.

And this is—what would this include, this $35 million?

Have you got any breakdown on that as to projects, as to Government projects, or is that too difficult?

Would we have to get that from GSA?

Mr. PITTMAN. We can give you the basis on which we made the estimate.

This would be a correct amount——

Senator MAGNUSON. You must have had some buildings in mind.

Mr. PITTMAN. Yes.

Senator MAGNUSON. And I wish you would put that in the record.

Mr. PITTMAN. We will put that in the record.

FLEXIBILITY IN APPLICATION OF FUNDS

Mr. PITTMAN. May I just point out we have concluded that we can get this done at much lower cost if we do not approach it on a line-item basis on a particular project. Flexibility to apply funds only to those opportunities which permit us to create shelter space at very low cost buys the best results. Therefore we have asked that this portion of the funds be made available without identification with particular projects in appropriation or authorizing language.

Senator MAGNUSON. But you must have some basis for arriving at $35 million.

Mr. PITTMAN. We have a basis for the estimate.

Senator MAGNUSON. For the Government building program, or the prospect of what we intend to do.

Mr. PITTMAN. If these all were tied into specific projects, we would lose the opportunity to do it at extremely low cost.

(The information requested on "Shelter in Federal buildings," follows:)

INCORPORATION OF FALLOUT SHELTER IN FEDERAL BUILDINGS

In many instances Federal buildings—both military and nonmilitary—are among the most substantial and permanent construction in a community. As such, they inherently provide most of the essential elements of shielding from fallout radiation including heavy wall, ceiling, and floor construction.

Inclusion of the bare essentials of fallout protection features in Federal buildings under close coordination by the Defense Department will provide well-documented cost information concerning a variety of methods and techniques for incorporating protective features. Design and cost experience will benefit Federal agencies, State and local government, and private construction in the development of low-cost, and in some cases cost-free, ways to include protective features.

Society has historically responded to potential safety hazards such as fire, water, and earthquakes, in construction practice and design. Fallout radiation must be added to the list of hazards and the Federal Government has an obligation to develop and contribute its know-how in adapting construction to protection of this type.

The Defense Department criteria will hold costs well below proposals for shelters in Federal buildings which have been previously before the Appropriations Subcommittees:

(*a*) Protective features will be designed to provide a protection factor of 100 (former OCDM requirements were 1,000; protection in Federal buildings would now be held down to the more minimal standards used in the national shelter survey);

(*b*) Natural or forced ventilation of protected areas at the rate of 3 cubic feet of fresh air per person;

(*c*) At the present, no auxiliary power is being incorporated in shelter areas in Federal buildings pending a systematic evaluation of essential needs and the flexibility and vulnerability of the supply of electric power under attack conditions;

(*d*) No additional plumbing is included;

(*e*) Local shelter needs must be evaluated before expending dollars for protective features in Federal structures. The fallout shelter survey will be used for this evaluation. In Washington, D.C., for example, there are areas of surplus space.

It is intended to apply such funds as are available under the above criteria to select buildings offering the best protection at lowest cost. Detailed cost estimates will be made after selection of buildings which must follow a decision on the amount of funds available and how best to allocate them for maximum results. The basis for the fiscal year 1963 request for $35 million is the result of the survey mentioned above and average cost estimates based on fiscal year 1962 experience:

(*a*) The national shelter survey included all Federal military and nonmilitary facilities. As a result, we have identified over 3 million shelter spaces in 3,700 nonmilitary buildings and approximately 700,000 shelter spaces in 1,600 military buildings, with a protection factor of 100 or above. In addition, the survey has identified potential shelter space with protection factors down to 40 for which cost estimates are being developed for minor modifications to bring such space up to the standard protection factor of 100. These are the buildings in which we propose to continue to provide protective features through minor modifications. The survey has identified over 3,500 potential shelter spaces in Federal buildings in this lower protection factor range suitable for such modification. This space is distributed throughout the Nation, over 2,500,000 in nonmilitary buildings and over 1 million in military facilities. This space was located in over 4,000 buildings. With fiscal year 1963 funds, it is proposed to modify nonmilitary facilities to provide 5 million square feet of protected space (500,000 spaces) and military facilities to provide 3,750,000 square feet of protected space (375,000 spaces).

(*b*) Construction bids covering modification of 14 representative existing Federal buildings showed an average cost of $3.73 per square foot to be modified. (See attachment A.) We have also considered preliminary engineering cost

estimates developed for about 600 representative buildings for which bids have not yet been received. These estimates average $3.26 per square foot to be modified. (See attachment B.) As fiscal year 1962 funds were applied to the lowest cost opportunities for modification, it is estimated that the average modification cost in fiscal year 1963 will be somewhat higher: $4 per square foot.

ATTACHMENT A

Incorporation of protective features in existing Federal buildings (representative buildings from fiscal year 1962 program)

Location	Building type	Square feet of protected space	Bid	Cost per square foot
Alabama: Tuscaloosa	Post office and courthouse	2,650	$6,543	$2.47
Alaska: Anchorage	do	4,940	11,882	2.41
Florida: Ocala	Federal office building	4,000	17,961	4.49
Georgia: Gainesville	Post office and courthouse	3,900	8,753	2.24
Louisiana: Alexandria	Office building	1,200	5,622	4.69
Mississippi:				
Jackson	Post office and courthouse	2,000	8,165	4.08
Do	Hospital	33,000	123,500	3.74
Tupelo Heights area	Visitor center	2,250	10,320	4.59
New York: Saratoga National Historical Park.	do	1,750	7,800	4.46
North Carolina: Asheville	Post office and courthouse	5,000	27,272	5.45
South Carolina: Bamberg	Post office	1,500	5,657	3.77
Tennessee:				
Greenville	Post office and courthouse	3,500	7,400	2.11
Great Smoky Mountains National Park.	Visitor center	1,450	8,450	5.83
Canal Zone	School complex	70,000	262,000	3.74
Total, 14 projects		137,140	511,325	3.73

ATTACHMENT B

Incorporation of protective features in existing Federal buildings, fiscal year 1962 summary

Primary building use	Total buildings	Square feet of protected space	Estimated cost of protection features
Post office	483	2,217,520	$7,394,965
Federal office building	47	1,549,350	4,049,135
Federal courthouse	7	113,150	278,300
Miscellaneous	46	518,610	2,609,800
Total	583	4,398,630	14,332,200

Average cost per square foot = $\frac{\$14,332,200}{4,398,630}$ = $3.26 (estimated).

RESEARCH

Senator MAGNUSON. Are there any other questions?

Senator SALTONSTALL. I have another item.

Senator MAGNUSON. Your next item, on page 11, is a budget request for $17.8 million for research and development, which is slightly less than fiscal year 1962. You explain why you want that in the rest of the paragraph. The House action reduced this program to $10 million, approximately $8 million less than the fiscal year 1962 level, or $7.8 million from the budget estimate.

This in effect would limit the value of the research and development already undertaken, in that a considerable portion of the funds re-

quested is to complete work started in fiscal year 1962. It is an item where you request $17,800,000 and the House gave you $10 million. What would that curtail if we stuck with the House figure?

Mr. PITTMAN. We believe we have a very carefully and well conceived program and I can go into any detail you want. First, let me say——

CIVIL DEFENSE ITEMS

Senator MAGNUSON. Let us take the items here. There must be additional research on systems directly related to civil defense, such as warning, communications, radiation monitoring, supporting utilities, and shelter supplies, and the management and health of potential shelter inhabitants, and the postattack surviving population. You have to conduct studies, you say, on a large scale, and you must have decontamination experiments. You must continue your research to minimize the cost of the current program.

Are there any of these you want to talk about? I think the Senator from Massachusetts has some questions first.

Senator SALTONSTALL. I have several questions on this.

Senator MAGNUSON. All right. Go ahead on them.

Senator SALTONSTALL. May I ask him those?

Senator MAGNUSON. Yes. Ask him any of them.

RADIOLOGICAL DEFENSE EQUIPMENT

Senator SALTONSTALL. They will be very brief. These questions were suggested to me, Mr. Pittman. Last year Mr. Ellis, who was your predecessor, told this committee that the program objective was 100,000 monitoring stations. The chairman just discussed it a little bit. He said they would be in place and ready by December 31, 1963.

How many stations are now activated, and why has the figure been changed from 100,000 to 150,000, and when will the 150,000 be ready if we gave you the money?

Mr. PITTMAN. The procurement to equip the 150,000 stations can be accomplished in fiscal year 1963. The completion of the training and organization that is necessary to bring them all into active operation, I would anticipate, would go beyond fiscal year 1963 into 1964.

Senator SALTONSTALL. Why did he say there were 100,000 stations necessary and you say there are 150,000 necessary?

CHANGE IN REQUIREMENTS

Mr. PITTMAN. The Defense Department has reviewed the entire program and come up with certain changes in what the OCDM required in this area. In our judgment, 150,000 stations is the minimum necessary to accomplish the several purposes of the monitoring system.

Senator SALTONSTALL. And it would still be in readiness by December 31, 1963? Is that what you just said? The equipment would be in readiness then?

Mr. PITTMAN. Yes, but the completion of training and putting these stations into operation could, I believe, extend beyond that date.

Senator SALTONSTALL. But you believe 150,000 now, from your further study of this, is necessary?

Mr. PITTMAN. Yes. We are convinced this is necessary. I would like to say, Senator, next to the shielding to protect life, radiation de-

tection is the most important item in any realistic civil defense program. Radiation-detection instruments spread around the country where they are needed is the only way people will have to know how to move, and how much freedom of action they have, in the immediate postshelter period.

STOCKPILE MAINTENANCE

Senator SALTONSTALL. On stockpile maintenance, you ask for $1,700,000 restoration. If you do not receive the $935,000 requested restoration under warehouse operations to provide for warehouse operating personnel and radiological instrument technicians, will the distribution of the instruments be seriously held up?

Mr. PITTMAN. Yes. If we do not receive the funds for warehousing and distribution, there will be a delay in moving these instruments into the hands of the States.

PURCHASE CONTRACTS LET

Senator SALTONSTALL. Have they been ordered? Are they under contract today and is the Government responsible for buying them?

Mr. PITTMAN. Yes. We have, under contract today, enough instruments to make up 200,000 sets.

Senator SALTONSTALL. So what you are telling us is at one place you have these orders and the Government is going to pay it out, and if we do not give you enough money, $935,000, to store them in these various States, then the instruments we bought will have to be wasted, so to speak?

Mr. PITTMAN. It would be a waste of procurement already underway from fiscal 1962 funds.

QUESTION OF NECESSITY OF FUNDS

Senator SALTONSTALL. You figure $935,000 is necessary for that purpose?

Mr. PITTMAN. Some of that would go to warehousing and distributing the procurement that would take place under fiscal 1963 funds. So it is not true as to the entire amount, but as to the major part of it.

ANNUAL COST OF INSTRUMENT STORAGE

Senator SALTONSTALL. Senator Ellender says it is going to cost $935,000 to store this instrument program year after year.

Mr. PITTMAN. No. It would not be a continuing item at that level. You understand this also includes engineering stockpiles such as water pumps, and so forth. It is not just radiological equipment. But the equipment would be distributed and put into operation. This would be a declining item in the budget over the years.

Senator SALTONSTALL. It will be a continuing expense every year if you have these instruments with you, to keep them in operation.

Mr. PITTMAN. Yes, but we anticipate a very substantial part of this expense will be on State and local governments.

Senator ELLENDER. You mean storage?

COSTS TO STATES AFTER DISTRIBUTION OF SETS

Mr. PITTMAN. Once we distribute those in State and local government hands, the storage costs are on them, and we transfer title to the State and local governments.

Senator ELLENDER. Do you keep them in the warehouse before you do that?

Mr. PITTMAN. Yes, sir.

FINANCIAL ASSISTANCE TO STATES

Senator SALTONSTALL. A third question, Mr. Pittman, is this: You asked for $32 million to be restored for financial assistance to States. What is your total request for States for funds under your financial assistance to States program?

Senator MAGNUSON. May I ask, let us stay on the other items here.

Senator SALTONSTALL. All right. I will withdraw that question for the time being.

TIMETABLE ON MONITORING STATIONS

Senator MAGNUSON. In last year's hearings Senator Allott and myself were both here. We asked Mr. Ellis about the 100,000 monitoring stations to be established by 1963. He gave us a timetable stating that by June 1961 there will be 25,000; by June 1962 there will be 52,000, and by December 1963 the total of 100,000, which is the objective set for the program. You, I understand, have raised this to 150,000. Is that correct?

Mr. PITTMAN. That is right.

Senator MAGNUSON. How many are there now?

Mr. PITTMAN. 31,000 stations in operation.

Senator MAGNUSON. So that by June 30, 1962, there were not 52,000?

Mr. PITTMAN. That is correct.

Senator MAGNUSON. Why?

Mr. PITTMAN. I am not in a position to analyze the basis for that prediction, because I do not know how it was made, but it seems to me we could have said some months ago that it was unlikely that we would arrive at that number of stations in operation by that time.

Senator MAGNUSON. But this was the original program with the original amount asked for, and we accelerated this amount so he could go ahead, because it was said it was not a question of production capacity, but a question of money.

Mr. PITTMAN. We have moved at perhaps a slower pace than he anticipated, but one of the results of this is we procured the major instruments for about half the price he estimated. I gave you a unit price of——

Senator MAGNUSON. About $100 a kit, I believe, he said.

Mr. PITTMAN. Yes. We have come out to about half of that cost on the larger items in the kit, and we have been able to come to a much lower——

Senator MAGNUSON. If you cut the cost down and he could have about 100,000 in June 1962, why couldn't you have that much then?

Mr. PITTMAN. I think we can and did stay on schedule, as far as procurement goes, but what may have been overlooked in his predic-

tion is the complexity of organizing and training to make these stations operative.

PRESENT STATUS OF INSTRUMENT DISTRIBUTION

Senator MAGNUSON. But the amount in the budget last year would provide approximately 48,000. We ended up with that sum, but you haven't 48,000. You say you got it cheaper, but you didn't reach the 48,000 mark.

Mr. PITTMAN. We have—the 48,000 that were procured in fiscal 1961 and prior years we have in the inventory we are now using. The procurement for fiscal year 1962 was larger in the last 2 months of the fiscal year. It was a very much larger amount and covers 150,000 sets.

Senator MAGNUSON. You spent all your money by June 30?

Mr. PITTMAN. Yes, all funds for this equipment.

Senator MAGNUSON. And he says he can't reach 48,000 with that money and you say you got it cheaper than he did, but you didn't reach 48,000.

Mr. PITTMAN. His 48,000 we had as a base to move from, and we procured an additional 150,000.

Senator MAGNUSON. How many do you have now?

Mr. PITTMAN. We have nearly 200,000 sets, including those on order. We have a requirement for approximately 300,000. Two of these sets go in each monitoring station, so it would take care of 150,000 monitoring stations when we have 300,000 of these sets.

COST OF ADDITIONAL SETS

Senator ELLENDER. How much more money will you need to do that?

Senator MAGNUSON. Yes.

Mr. PITTMAN. To acquire the additional 100,000 sets will take $8.9 million.

Senator ELLENDER. Do you remember how much you provided last year for what Mr. Ellis said could be done in a certain period?

Mr. PITTMAN. You mean the cost of procurement last year?

EXPENDITURES IN 1962

Senator MAGNUSON. How much did you spend last year in this program? That is what we want to know.

Mr. PITTMAN. Yes. I am getting you that. On the monitoring stations alone it is $8.3 million.

Senator MAGNUSON. That, according to our report, would be the accelerated procurement of the instruments and training program. We gave them $2.5 million over the amount for the national fixed station monitoring network in order to insure the establishment of at least 100,000 stations by June 30, 1963.

Mr. PITTMAN. That is correct. And we have really no opportunity to have that many stations by that date.

Senator ELLENDER. What became of that money?

NUMBER OF SETS PAID FOR

Mr. PITTMAN. It has gone into the procurement of the equipment, and the equipment is on hand or on order and will be available.

Senator ELLENDER. Is it paid for? Don't you have to get additional money to pay for it?

Mr. PITTMAN. The 200,000 sets I referred to, procured out of fiscal 1961 and 1962 funds, are paid for.

Senator ELLENDER. That is the 200,000?

TOTAL INSTRUMENT SET NEED

Mr. PITTMAN. The 200,000. We need a total of 300,000 to take care of 150,000 stations. That is why we are asking for the additional funds to continue procurement for this item.

Senator MAGNUSON. How much of this increase is involved in the $17,800,000?

PRESENT REQUEST NOT FOR RESEARCH

Mr. PITTMAN. None of this. The $17,800,000 you referred to are research and development funds.

Senator MAGNUSON. You mention as a justification for that that there must be monitoring listed here, that is, research for monitoring.

Mr. PITTMAN. Equipping of the monitoring stations is an item which comes under operation and maintenance, which is part of the $124.9 million item.

Senator MAGNUSON. All right. That is $17 million for research. What other kind of research are you doing?

Senator HOLLAND. May I ask a question there?

Senator MAGNUSON. Yes.

INFORMATION SECURED AT MONITORING STATIONS

Senator HOLLAND. Just exactly what information is to be secured at the monitoring stations, specifically?

Mr. PITTMAN. The primary information is the level of radiation at various points around the country. There are two requirements. One is to feed that information back to State, regional, and national damage assessment points.

Senator HOLLAND. That is communications.

Mr. PITTMAN. It will be done by communications, but the source of information will be these monitoring stations. I think it is obviously necessary in order to do any State, regional, or national planning for rescue and recovery work.

In addition, there is a requirement for local information. It is not practical in our judgment to bring information of this type to the national level or regional level and feed it back into the isolated communities of survival who have to stand on their own feet for several weeks. They must have their own sources of information. So we anticipate the monitoring stations will also serve local community needs without being funneled up the line and back down again.

MANNING STATIONS

Senator HOLLAND. The monitoring is a monitoring of the radiation at the points where the monitoring is had. Who mans the monitoring station?

Mr. PITTMAN. We are trying to locate these stations where there are 24-hour duty police stations, fire stations, and installations like airports—wherever there are personnel who are susceptible to this kind of technical training, on 24-hour duty, we will locate these stations there. One of the delays that perhaps was not fully anticipated when the OCDM estimate was made, was the problem of finding the right place and drawing the particular people who are working on airports and police and fire departments into this, and getting them trained and organized to do the job.

SHELTER PROTECTION AT STATIONS

Senator HOLLAND. The station has to be out in the open air and not sheltered in any way?

Mr. PITTMAN. No. We anticipate there will eventually be fallout shelter protection for these people, in order for them to be alive to do their work. The most important work would come after the first few days when the key question is how much has the radiation died down.

Senator HOLLAND. They would be inside and have the chance to observe outsiders?

Mr. PITTMAN. They would be inside and go outside, exposing themselves to some absorption of radiation. They would have dosimeters that would tell them how much they have absorbed and how much they can take. They would have to expose themselves if they undertake readings on streets and places where decontamination would start.

Senator HOLLAND. Monitoring instruments would have to be on the outside in exposed places.

Mr. PITTMAN. That is right. But initial information can be taken from within a shelter by locating it just outside.

COST PER MONITORING PIECE

Senator HOLLAND. What is the cost per monitoring piece of equipment?

Mr. PITTMAN. There are a number of pieces of equipment involved in a set. The two principal instruments come very close to $50.

Senator HOLLAND. Is that the two, or a full set?

Mr. PITTMAN. No, for a single set.

Senator HOLLAND. It takes two of those instruments to equip a monitoring station?

Mr. PITTMAN. Two of those and certain others.

Senator HOLLAND. What is the cost of those other instruments?

Mr. PITTMAN. We package these in different ways for different purposes. Let me get you a figure on the unit cost of a monitoring set. That includes dosimeters. The $50 figure I mentioned does not include other equipment.

Senator MAGNUSON. Then you ought to be able to buy twice as many as Ellis says you could buy.

Mr. PITTMAN. That is right. Of course, we cut the price so it will be approximately $100 a station for major equipment items.

Senator HOLLAND. $100 would cover the two pieces of monitoring equipment and the additional equipment needed in the monitoring station. Is that right?

Mr. PITTMAN. If that is clear I would like to complicate it a little further by saying——

Senator HOLLAND. Is that it?

REMOTE READERS

Mr. PITTMAN. Yes. I do not know how far you want to get into this, but we do need another piece of equipment which would be procured out of fiscal 1963 funds, which has not yet been procured. This is a remote reader which would take readings at much greater distances. It has been under development and is now available, and proved out. We want one of these in each station. There will be a requirement for 150,000 of these remote readers.

Senator HOLLAND. What is the cost for a remote reader?

Mr. PITTMAN. The unit cost for that is $28.10.

Senator HOLLAND. The $128.10, according to what I understand, is the cost of equipment you need at the standard measuring station.

Mr. PITTMAN. That is correct except for minor items. That does not complete the job.

Senator MAGNUSON. Ellis said $100. You are over him now.

AERIAL MONITORING

Mr. PITTMAN. Mr. Ellis was referring to sets, not stations. But we have added a new piece of equipment.

There is also a requirement for some aerial monitoring, which requires somewhat different types of equipment, and it would not be tied to the 150,000 stations, but presents a tremendous opportunity to expand this sort of information by collecting it from the air, and we are proposing to procure the equipment for that purpose.

Senator HOLLAND. Would one of those be available at each of these 150,000 stations?

CIVIL AIR PATROL AND AIRCRAFT STATIONS

Mr. PITTMAN. No, it would not be. It would be tied to Civil Air Patrol activities and available aircraft.

Senator HOLLAND. How many of those stations would you probably have?

Mr. PITTMAN. 360 units.

Senator HOLLAND. And at an average cost of how much?

Mr. PITTMAN. $650 per unit.

Senator HOLLAND. Then there is about $250,000 of that equipment.

Mr. PITTMAN. $234,000. Yes.

Senator ELLENDER. How about the operation of these units? Who will do that?

EXPENDITURES TO DATE

Senator MAGNUSON. Let's not leave these figures. It is quite confusing. You have $128 for 150,000 units and only have half of them installed, which would cost you around $18 million for the full amount in rough figures, and you have about half of them installed, which is $9 million. How much have you spent to date?

Mr. PITTMAN. Covering all of these items, our expenditures to date are $21.6 million.

Mr. MAGNUSON. That will be a $42 million program.

Mr. PITTMAN. I misspoke. Procurement through 1962 is $12.7 million. $21.6 million includes the $8.9 million requested for fiscal year 1963.

Senator MAGNUSON. That is $17 million and it is for 2 years; 150,000 are only $8 million and you are only half through. Where does the rest of the money go?

Mr. ROMM. $21.6 million is the total program through fiscal year 1963, Senator.

Senator MAGNUSON. I understand, but where does the rest of the money go?

Mr. PITTMAN. Let me add it up. There are a couple of items we have not mentioned yet. Calibration units. We have to maintain these and recalibrate them periodically. That is an item totaling $347,000. That completes all of the fiscal year 1963 items, so it should add up.

FULL DATA ON EXPENDITURES FOR MONITORING

Senator MAGNUSON. We will not take the time, but you put in the record the amount of money you spent to date on this agency or your predecessors did, on this monitoring program.

Mr. PITTMAN. Yes, sir.

Senator MAGNUSON. And how many of them you have to date.

Mr. PITTMAN. We will give you the procurement of 1961 and before.

Senator MAGNUSON. The whole business.

Mr. PITTMAN. And last fiscal year, and our proposal this year.

Senator MAGNUSON. Whenever you started, with how much money you spent on this program. I want how much you have already spent. If it is $128, you spent it already and have not even gotten half of them. Also the amount of monitors now in operation, and how much you spent. That is what we want. Also how many instruments you have in the stockpile.

Mr. PITTMAN. Right.

Senator MAGNUSON. This will run up to about $500 a unit before we are done.

Mr. PITTMAN. No; it will be $139 for a complete equipping of a monitoring station with two sets, and a rather lesser cost for the aerial monitoring and for the calibration.

Then in addition to that there is, quite apart from the monitoring stations, the requirement which I mentioned earlier, which is the stocking of shelter spaces and public shelters—there will have to be radiation detection equipment there, which was not included when I was talking about monitoring stations in the last 5 or 10 minutes.

Senator MAGNUSON. But you want 150,000 units, don't you?

Mr. PITTMAN. Monitoring stations.

Senator MAGNUSON. Yes. What we want is the amount you spent already, and how many you have. Then we can divide it and see how much they cost.

Mr. PITTMAN. In that category we have 200,000 sets, and we need 300,000. We are asking for funds to buy the other 100,000 sets.

Senator MAGNUSON. Put all that in the record and break it down for us.

Mr. PITTMAN. All right.

Senator MAGNUSON. Because there is a little bit of discrepancy between what we have been told for 2 years and what the program accomplished.

Senator HOLLAND. May I ask a question here?

Senator MAGNUSON. Yes.

COST OF SHELTER DETECTION UNITS

Senator HOLLAND. What was involved as to the cost of detection units which must be present in each of the shelters?

Mr. PITTMAN. The unit price?

Senator HOLLAND. Yes.

Mr. PITTMAN. It comes to a unit price of $47.65. We have estimated it at about 19 cents per person sheltered.

Senator HOLLAND. Then that would be around $12 million for that equipment for 60 million people, wouldn't it?

Mr. PITTMAN. From 1962 funds, $9.5 million was spent for this purpose.

Senator HOLLAND. And that is already distributed.

Mr. PITTMAN. That has already been procured.

Senator HOLLAND. You have that stock and it is ready to be put around.

Mr. PITTMAN. Yes; some of it is still to be delivered.

Senator ELLENDER. Will you say a few words to us about the operation of these after you have them established?

Senator MAGNUSON. I was going to cover operation and maintenance.

Senator ELLENDER. Yes.

Senator MAGNUSON. We will get the report on the monitoring stations because we are adding more every year, and every year there is a different cost figure. So clear it up for us. We are still not up to schedule.

Mr. PITTMAN. Mr. Chairman, we have clearly expanded the requirement. We have expanded it for reasons which we think are vital.

Senator MAGNUSON. Put it in the record so we have some justification of it.

(The information requested follows:)

RADIOLOGICAL DETECTION AND MONITORING PROGRAM

The elements of the program are as follows:
(*a*) Radiological monitoring stations.
(*b*) Shelter monitoring instruments.
(*c*) Instruments for civil defense workers.
(*d*) Aerial monitoring equipment.
(*e*) Calibration and maintenance equipment.
Each of these is discussed below:

87888—62——13

(a) Radiological monitoring stations

1. *Requirement.*—That requirement for 150,000 monitoring stations was developed after a detailed research analysis of the problem by Technical Operations, Inc. The results of this research effort were adapted to the entire Nation, as shown by State in the attached table. The total of 150,000 stations is divided between 144,000 State and local, and 6,000 Federal monitoring stations.

Upon assumption of civil defense responsibilities on August 1, 1961, the DOD established a technical review team to evaluate this requirement, the instruments, and specific plans for meeting the requirement. Radiation technicians from the Army Chemical Corps, Army Signal Corps, Naval Radiological Defense Laboratory, and the Defense Atomic Support Agency carried on this review, and recommended approval and accelerated action on the program.

In order to be fully operational, each monitoring station will require two sets of monitoring instruments as detailed in the following section 2.

2. *Instrument sets.*—The two sets of monitoring instruments required for each monitoring station consist of the following items, and associated unit costs:

Item	Unit cost	Fiscal year 1962 procurement	1st set	2d set
Low-range Geiger counter	$19.35	CDV-700	1	1
Food and water comparison standard	.31	CDV-787	1	1
High-range gamma radiation instrument	15.97	CDV-715	2	1
High-range gamma radiation instrument—remote reading.	28.10	CDV-715B		1
Dosimeter	4.21	CDV-742	2	2
Dosimeter charger	3.60	CDV-750	1	1
Total cost			$63.62	$75.75

Large-scale procurement in fiscal year 1962 reduced the unit cost per set from an average cost of $89.06 in fiscal year 1961 to $63.62 in fiscal year 1962. The actual cost of the major items (CDV–700 and CDV–715) are one-half of the estimated costs provided to the subcommittee by OCDM in last year's hearings.

The CDV–715B is a new item, developed during 1962 which is scheduled for procurement in fiscal year 1963 at one instrument per monitoring station, to substitute for one CDV–715 (nonremote gamma radiation instrument) in the second set at each monitoring station.

3. *Procurement of instruments for monitoring stations.*—Procurement actions taken in fiscal year 1961 and prior years provided for 2.6 million training instruments and 49,608 operational monitoring sets. Procurement during fiscal year 1962 provided for the acquisition of 150,392 operational monitoring sets, bringing the total operational sets on hand or under procurement to 200,000, sufficient to equip 100,000 monitoring stations. This leaves a requirement to procure monitoring sets for the remaining 50,000 stations of the total 150,000 national requirement, or a net remaining initial equipping requirement of 100,000 instrument sets.

It should be noted that procurement in fiscal year 1961 and prior years, and issues of training equipment to the States and local governments resulted in imbalances of stocks on hand at the time DOD assumed responsibility for the program. These imbalances have been corrected by fiscal year 1962 procurements, and when all deliveries of instruments from the procurement are received, the asset position presented in the preceding paragraph will be realized.

The value in thousands of dollars of actual procurements for fiscal year 1961 and prior years, for fiscal year 1962, and projected for fiscal year 1963 follow:

	Fiscal year 1962 and prior years	Fiscal year 1962	Fiscal year 1963
Training instruments	$13,646	$570	0
Monitoring station operational sets	4,418	8,294	$8,911

The fiscal year 1963 procurement is requested for 100,000 operational monitoring sets with only one CDV–715 instrument per set ($4,696,000) and for 150,000 remote reading instruments, CDV–715B, one for each monitoring station ($4,215,000).

4. *Delivery of monitoring sets.*—These instruments, although relatively simple to produce, require precision production and quality control, resulting in substantial production leadtime. Deliveries of instruments procured in fiscal year 1962 are scheduled into Federal warehouses which will provide for the following availability of operational sets:

	Number of sets
By September 30, 1962	25,000
October 1 through December 31, 1962	30,000
January 1 through March 31, 1963	30,000
April 1 through June 30, 1963	35,000
July 1 through October 31, 1963	30,392
Total	150,392

Calibration, checkout, and packaging will add approximately 1 to 2 months to arrive at a date when the equipment can be issued to State and local governments.

3. *Monitoring stations.*—Against a national requirement of 150,000 stations, the actual operational capability as of June 30, 1962, consisted of 3,475 Federal monitoring stations and 27,926 State and local operational stations, for a total of 31,401 operational monitoring stations. These stations have only minimal equipment; i.e., one set per station. Issue of a second set is being delayed pending procurement of the remote reading gamma radiation instrument, CDV–715B, from fiscal year 1963 procurement.

OCDM last year reported to this subcommittee that 25,000 stations would be in operation on June 30, 1961. This is not a comparable figure in that it included all high school training sets as operational stations. State inspection of these sets has demonstrated that these training instruments have no operational monitoring capability as a result of constant use and rough handling in the training process. There were approximately 15,000 school training sets issued, and included in the 25,000 figure provided in testimony before this committee last year. Therefore, there were only 10,000 operational stations on June 30, 1961, of which 2,900 were Federal stations. During the past year, under DOD administration, an additional 21,000 monitoring stations were brought into operation.

Based on the projected availability from the preceding section 4, it is expected that an additional 70,000 stations could be brought into operation by December 31, 1963, for a total of approximately 100,000 stations. Because the operational training and organization of station management is a State and local responsibility, we are not in a position to predict with certainty the operational dates of these stations.

(b) Shelter radiation detection instruments

The shelter survey has located approximately 60 million shelter spaces in 113,000 buildings. These buildings contain approximately 230,000 shelter areas, and 1 shelter radiation detection kit is required for the occupants of each shelter area. Each kit consists of the following instruments:

	Unit cost (average fiscal year 1962 procurement)
1 CDV–700 low-range geiger counter	$19.35
1 CDV–715 high-range gamma radiation instrument	15.97
2 CDV–742 dosimeters at $4.21	8.42
1 CDV–750 dosimeter charger	3.60
1 CDV–787 comparison standard	.31
Total cost	47.65

The fiscal year 1962 procurement program included 200,000 shelter monitoring kits at a total cost of $9,530,000 to be completely delivered by June 30, 1963. One-half of this quantity will be available for issue by December 31, 1962, and the remaining portion of this total quantity will be issued as shelter supplies by mid-1963.

No procurement funds have been requested for this purpose for fiscal year 1963.

(c) *Instruments for CD workers*

A requirement exists to supply dosimeters to a total of 5 million civil defense workers so as to be capable of measuring the accumulated doeses of radiation to which essential tasks would expose them.

The fiscal year 1962 program included the procurement of 1 million dosimeters at a unit cost of $4.21 for a total of $4,210,000 and 30,000 dosimeter charges at $3.60 for a total of $108,000. The fiscal year 1963 projected procurement will be for an additional 2 million dosimeters at an estimated unit cost of $4 for a total of $8 million. The lower unit cost estimate is based on larger procurement quantities. No dosimeter chargers are expected to be required in fiscal year 1963 or subsequent years for this purpose, as adequate numbers will be available in shelter monitoring kits which can be used to recharge CD worker dosimeters.

(d) *Aerial monitoring*

To provide the most rapid method of estimating the degree and extent of fallout contamination over large areas and agricultural lands in the early postattack period, an aerial monitoring capability is required to supplement the monitoring stations. An instrument specially developed for this purpose by Oak Ridge National Laboratory is available for procurement in fiscal year 1963. Our total requirement is based upon the need to place aerial monitoring instruments at approximately 5,000 municipal airports in the country. This placement will exploit the capability of many small private aircraft and the Civil Air Patrol. As only 3,000 of these airports are manned around the clock, our first effort will be to furnish instruments for these from procurement planned over a 3-year period. At an estimated unit cost of $650 per instrument, the fiscal year 1963 request includes $234.000 for the initial procurement of 360 instruments.

(e) *Calibration and maintenance*

To be effective in protecting lives and to provide a basis for postattack operational decisions, radiation detection instruments must meet minimum standards of accuracy and sufficient spare parts must be available to assure operability of instruments at all times.

The electronic components of radiation detection instruments are subject to changes in circuit elements and must be calibrated periodically to insure meeting prescribed standards of accuracy.

To assure maintenance of these standards of accuracy 2 calibration units per State, 1 per civil defense region, and 12 for radiological equipment warehouses are required.

For this purpose, OCD procured 95 calibration units during fiscal year 1962. The fiscal year 1963 budget request included $82,895 to procure the remaining 25 units at a unit cost of $3,315 for our total requirements.

Based on past experience, the requirement for initial spare parts has been at the rate of 5 percent of the initial instrument cost. Procurement of instruments planned for fiscal year 1963 which require spare parts is slightly over $8 million. Applying the 5-percent experience factor, our requirement for fiscal year 1963 is $404,912.

Required operational monitoring stations by State

State	State and local	Federal	Total
Region 1:			
Connecticut	1,619	16	1,635
Maine	1,278	32	1,310
Massachusetts	4,020	28	4,048
New Hampshire	578	20	598
New Jersey	4,328	42	4,370
New York	7,661	124	7,785
Rhode Island	508	10	518
Vermont	501	28	529
Puerto Rico	602	15	617
Virgin Islands	17	2	19
Total	21,112	317	21,429

Required operational monitoring stations by State—Continued

State	State and local	Federal	Total
Region 2:			
Delaware	275	6	281
Kentucky	2,743	240	2,983
Maryland	1,600	48	1,648
Ohio	6,351	196	6,547
Pennsylvania	9,576	134	9,170
Virginia	2,702	196	2,898
West Virginia	2,863	110	2,973
District of Columbia	96	6	102
Total	26,206	936	27,142
Region 3:			
Alabama	3,148	134	3,282
Florida	3,052	134	3,186
Georgia	3,228	318	3,546
Mississippi	2,342	164	2,506
North Carolina	3,332	200	3,532
South Carolina	1,895	92	1,987
Tennessee	2,588	190	2,778
Canal Zone	20	----------	20
Total	19,605	1,232	20,837
Region 4:			
Illinois	6,253	204	6,457
Indiana	3,466	184	3,650
Michigan	4,242	166	4,408
Minnesota	3,531	174	3,705
Wisconsin	3,563	142	3,705
Total	21,055	870	21,925
Region 5:			
Arkansas	2,268	150	2,418
Louisiana	2,441	128	2,569
New Mexico	1,536	64	1,600
Oklahoma	3,296	154	3,450
Texas	9,732	508	10,240
Total	19,273	1,004	20,277
Region 6:			
Colorado	1,821	126	1,947
Iowa	3,540	198	3,738
Kansas	3,131	210	3,341
Missouri	3,657	230	3,887
Nebraska	2,502	186	2,688
North Dakota	1,496	106	1,602
South Dakota	1,641	134	1,775
Wyoming	902	48	950
Total	18,690	1,238	19,928
Region 7:			
Arizona	1,369	28	1,397
California	7,403	116	7,519
Hawaii	587	8	595
Nevada	377	34	411
Utah	1,093	58	1,151
American Samoa	10	----------	10
Guam	10	----------	10
Total	10,849	244	11,093
Region 8:			
Alaska	265	100	365
Idaho	1,030	88	1,118
Montana	1,701	112	1,813
Oregon	1,852	72	1,924
Washington	2,364	78	2,442
Total	7,212	450	7,662
Grand total	144,002	6,291	150,293

OPERATION AND MAINTENANCE

On page 13, the next item. The House report identified only three specific reductions in arriving at the $65 million recommended for operations and maintenance. That is all they gave you for operation and maintenance. Is that right?

Mr. PITTMAN. That is right.

Senator MAGNUSON. You state your requirement requested was $125 million.

Mr. PITTMAN. That is correct.

Senator MAGNUSON. And when the $65 million is deducted it leaves $60 million in round figures.

Mr. PITTMAN. That is correct.

HOUSE RECOMMENDATION

Senator MAGNUSON. The House report recommends $65 million to continue the established programs at the same general level as in fiscal 1962. What is the difference now, and the same general programs and levels in 1962?

Mr. PITTMAN. Depending on what they mean by that language, "the general level in 1962," we could make an assumption and estimate.

Senator MAGNUSON. How much did you get in 1962? I forget the exact figure for this.

Mr. PITTMAN. Yes. $82.8 million. $46.2 million was transferred from OCDM and $36.6 million was appropriated to DOD for operation and maintenance.

Senator MAGNUSON. No. I meant from this committee.

Mr. PITTMAN. It is about $46 million.

Senator MAGNUSON. About $46 million.

Mr. PITTMAN. That was divided between OEP and the Defense Department at the time the budget divided up their funds.

Senator MAGNUSON. But the total was about $46 million and the House gave you $65 million. What they mean by "the same general level" is about the same as what they gave you last year, I suppose.

Mr. PITTMAN. It is a little hard to look at it that way because we have the amendatory $207 million merged with it which financed most of the warning, communications, training, and other major items under "Operations and maintenance."

Senator MAGNUSON. What we want to know is why this extra $65 million? What more are you doing or do you plan to do in fiscal 1963 than we allowed you money for last year?

Mr. PITTMAN. Yes. I list on the next page a series of programs.

Senator MAGNUSON. All right. Let us get into these programs.

NATIONAL EMERGENCY ALARM REPEATER SYSTEM

The National emergency alarm repeater system, designed to bring warning into every home, office, and factory in the land, would be postponed. How much would that cost?

Mr. PITTMAN. That is $25 million, which was to be applied as follows: $2.5 million to run an engineering survey on most of the utility systems of the country, to find out what equipment would be needed to operate NEAR in particular utility systems, and $22½ million, which would be applied to the generators—the basic unit of equipment to trigger the warning signal—for utility systems which would

be used for pilot purposes to learn more about the operating problems of the system.

Senator MAGNUSON. It is to blow a whistle.

Mr. PITTMAN. It is to set up a buzzer in every home and factory.

Senator MAGNUSON. I meant that. A buzzer. Can't you do that by radio now?

Mr. PITTMAN. We have explored intensively competing systems of radio, using the telephone system, and found there is nothing competitive with the electric power system for a low-cost solution to that problem.

PAYMENT FOR ALARM INSTALLATION

Senator MAGNUSON. Who will pay for putting these in every home and every office?

Mr. PITTMAN. We have stated on the record at the time of the hearings before the Government Operations Committee, a year ago, that the cost of home receivers would be borne by the consumer of electric power. We have since become concerned about the problems of consumer purchasing of an item of this kind because of the difficulty of assuring reliability. Therefore, we have had under discussion with the utility systems the possibility of their handling the procurement, possibly financing it and recovering it from their charges, or possibly acting in a service capacity. The answer to this has been postponed until we have experience with these pilot projects.

PILOT PROJECTS

Senator MAGNUSON. That will cost $25 million, approximately, you say?

Mr. PITTMAN. The pilot projects will cost $22.5 million.

Senator MAGNUSON. But that is just the beginning, though; is it not?

Mr. PITTMAN. That is just the beginning.

Senator SALTONSTALL. Will the Senator yield?

Senator MAGNUSON. Yes.

PROSPECTIVE ACTION UNDER HOUSE ALLOWANCE

Senator SALTONSTALL. There is a broad general question on this subject. The total you requested was $124,918,000, and the House allowed you $65 million, which left $59,900,000, which is the figure the chairman just brought out.

Let me ask a broad general question. You divide it into eight different categories. If we went along with the House and did not give you any of this $59,900,000, would you go forward in a smaller way with all of these categories, or eliminate some of the categories?

Mr. PITTMAN. In the short time since the House acted we have had a chance to do a little thinking about what we would do. It would call for a major revision of the whole program. I do not think it would be wise to do half a job on all of the projects we have underway. We would have to eliminate, I think, or postpone, a very substantial number of these eight projects.

Senator SALTONSTALL. If the chairman will permit me, let us very briefly, so as not to go into detail, cover this. You have warning and alerting, $25 million. Would you go into that in full?

NATIONAL EMERGENCY ALARM REPEATER SYSTEM

We are looking at your page 14. The national emergency alarm repeater system, which would cost, as I see it, $25 million.

Mr. PITTMAN. This, we believe, would have to be postponed a year. Whether we would completely postpone it or run several of the pilot projects is a judgment we have not yet made. But substantially it would be postponed.

Senator SALTONSTALL. The Senator from Washington and all of us sitting here know when we get into a conference with the House—and assume we gave you the whole $59,918,000—after we did that we would have to compromise that with the House. What I am trying to get at is, assuming we have to compromise, are there some of these programs you would give up altogether or, as I asked you already, would you cut them down percentagewise?

Senator MAGNUSON. Or which priority?

REQUEST FOR PRIORITY LIST

Senator SALTONSTALL. Or which priority. On No. 1, the national emergency alarm repeater system warning device, it would cost $25 million. I think it would help us to reach a decision.

Mr. PITTMAN. I understand.

Senator SALTONSTALL. If you could say yes or no as to whether you are going to put it in or take it out, it helps us to get a figure.

Mr. PITTMAN. I understand the need for doing it.

Senator SALTONSTALL. It is a tough question.

Mr. PITTMAN. You realize what you are asking. What we want to do is to keep this thing together so that this totally new civil defense program, which has been thoroughly redirected, can continue current activities. If we can prevail on the next Congress to go forward with the new unauthorized element, we should not be in a position where it would be much more costly to pick up and go forward. So we want to hold the ground gained by completing what we have started.

I can give you some ideas of what it would take to hold it on course.

Senator MAGNUSON. That is not what we are asking. We are asking, or Senator Saltonstall is, a simple question. Which would you abandon and which would you give priorities to?

Senator SALTONSTALL. That is right. You have eight programs here.

Mr. PITTMAN. I think then, to answer that question, if Congress decides to defer the survival capability I refer to in my opening statement, we have to postpone, or eliminate from this budget completely, some of the priority elements here and go ahead and do others as completely as we can. In this case I think that most of the NEAR operation would have to be postponed. The first one.

Senator MAGNUSON. The first one.

Senator SALTONSTALL. All right. The second one we have already talked about at quite some length.

RADIO BROADCAST STATIONS

Senator MAGNUSON. No. This is for radio broadcast stations.

Senator SALTONSTALL. Yes. Needed for Government authorities to

communicate with the public immediately following an attack. That is a different one than you have here.

Mr. PITTMAN. This is providing fallout protection at key radio broadcasting stations and a radio circuit shortwave hookup between broadcasting stations.

Senator MAGNUSON. How much would that cost?

Mr. PITTMAN. It is about $6.9 million.

Senator SALTONSTALL. That is $10.1 million.

Mr. PITTMAN. Yes. But $3.2 million of that is for recurring costs of operating the Federal communications system. Not deferrable.

Senator SALTONSTALL. That is communication and control.

Mr. PITTMAN. Yes.

Senator MAGNUSON. So you go to a fellow who has a radio station and say, "We will give you some money to modify your station." Is that correct?

Mr. PITTMAN. That is right. We would contribute to the cost of putting protective features into the key station.

Senator MAGNUSON. Contribute to the cost?

Mr. PITTMAN. Yes.

Senator MAGNUSON. Of course, you know that the Federal Communications Commission could order them to do this now anyway without any cost to the Government.

Mr. PITTMAN. I am not sure whether they can be compelled to spend their money for this purpose.

Senator MAGNUSON. As a condition. They can put any condition they want on their license.

Mr. PITTMAN. It has been thoroughly discussed with the Federal Communications Commission.

Senator MAGNUSON. Of course it has been discussed with them. They do not want to do it, but they want you to do it. We know that story.

Mr. PITTMAN. Yes.

Senator SALTONSTALL. Would that be top priority or not?

Mr. PITTMAN. I think it is one we would be forced to put off a year.

Senator SALTONSTALL. Put off?

Mr. PITTMAN. Yes, sir.

TRAINING, EDUCATION AND PUBLIC INFORMATION

Senator MAGNUSON. No. 3: The capability of local governments to train necessary skilled personnel in the management and operation of existing shelter space could not be developed during this year. Without specialized skills in each community shelter, successful occupancy could not be expected.

Senator SALTONSTALL. $20,885,000. Is that correct?

Mr. PITTMAN. Yes. That includes public information, but they tend to merge. A good deal of the training and information is, of course, for the public. Here we would cut this down and do it more slowly, but a very substantial part of this projected activity would have to be done this year if the 60 million shelter spaces are to be effective.

Senator MAGNUSON. You will do a part of that anyway?

Mr. PITTMAN. We are just starting to make the capital investment for large-scale training and getting a major effort going now.

Senator MAGNUSON. But this would only be an enlargement of the program you are going to do anyway.

Mr. PITTMAN. Functionally we have been doing it.

Senator MAGNUSON. You have been training the people all the years it has been in operation. Then all these millions of dollars we have now has been wasted.

Mr. PITTMAN. What we are doing now is orienting this training around shelter systems growing up in certain parts of the country and around techniques for mass production of the needed skills.

Senator HOLLAND. If you have a shelter system developed in many places, it does make sense to have trained people who can make it operate. It seems to me this is a must, Mr. Chairman.

Senator MAGNUSON. I am not saying it isn't a must. How would you do it? Hire local people and put them on the Government payroll, or let the States and local subdivisions pick them and you would reimburse them?

Mr. PITTMAN. We have three schools in which we are training instructors, who are available to State and local governments.

Senator MAGNUSON. They are Federal employees?

Mr. PITTMAN. We train State and local employees too.

EXPENSES OF TRAINEES

Senator MAGNUSON. Do you pay their expenses to come back? Do they go to Federal schools?

Mr. PITTMAN. We pay one-half travel and subsistence expenses and we train them. Then they go back to their local Civil Defense organizations.

Senator MAGNUSON. This is a little different part of it, but it has been going on for some time.

Mr. PITTMAN. Yes. The courses have been changed, but the schools have been going on for some time.

Senator SALTONSTALL. The next one——

ADULT EDUCATION PROGRAM

Senator MAGNUSON. The adult education program in 37 States would have to be curtailed and the program could not be offered to the remaining 13 States.

What program is that?

Mr. PITTMAN. The adult education program.

MEDICAL SELF-HELP

Senator MAGNUSON. Medical self-help?

Mr. PITTMAN. No. That is another one. There are two training courses that go to the general public. One is on general civil defense knowledge and the other is medical self-help.

Senator SALTONSTALL. Would that be $20,885,000?

Mr. PITTMAN. Not that much.

Senator MAGNUSON. Break that down. How much is it?

Mr. PITTMAN. $5.2 million.

Senator MAGNUSON. But you are doing some of that now?

Mr. PITTMAN. That is for adult education. Medical self-help is $1.9 million.

Senator MAGNUSON. But you are doing some of that now?

Mr. PITTMAN. Some of the adult education is going on. Medical self-help is only just getting off the ground.

Senator MAGNUSON. I have seen items in the paper where they have been meeting on it for years. Local people and civilian defense officials at home.

Mr. PITTMAN. The medical self-help program is a new program, stimulated by voluntary support. It requires voluntary help so there has been a good deal of publicity put into it.

Senator MAGNUSON. It is a general program to educate people to do what they can do to survive, is it not?

Mr. PITTMAN. Yes; that is right, health measures.

Senator MAGNUSON. That is the way the civil defense thing started.

Mr. PITTMAN. That is right. I think these programs are more characteristic of what has been going on in the past.

Senator MAGNUSON. Yes.

RADIOLOGICAL DEFENSE EQUIPMENT

Senator SALTONSTALL. The next one is the development of the projected radiological monitoring net.

As I see it from the figures, $18,133,000. What would you do on that one?

Mr. PITTMAN. I think we would have to postpone some part of the extension of this system and make do with a smaller or less fully equipped monitoring net until we have a chance to complete the job.

Senator SALTONSTALL. All right.

FINANCIAL ASSISTANCE TO STATES

The next one is the express deletion of one-third of the requested funds for Federal contribution for State and local government personnel and administrative costs.

As I see it, it is financial assistance to the States for $32 million, broken down into survival supplies, $6 million; emergency operating centers, $8 million; personnel and administrative expenses, $18 million. What would you do with that?

Senator MONRONEY. I want to tell you about that item. It is the come-on to get in, because every member will be wiring us and every local official. That is what we have gone through every year.

Mr. PITTMAN. And I think there may be more of it this year because the Federal Government has put heat on to get things done, and they have painfully turned around and done what is necessary, assuming they would have matching funds for certain parts of their costs. We are in pretty deep.

Senator MONRONEY. But that would be cut one-third? If the $35 million were not restored, that would be cut one-third?

Mr. PITTMAN. No. The one-third referred to here is just P. & A.—personnel and administrative costs.

Senator MONRONEY. But you are doing some of this now.

Mr. PITTMAN. Yes, we are.

EFFECT OF HOUSE CUT

Senator MONRONEY. The House cut would mean that you couldn't do more of it. Isn't that it?

Mr. PITTMAN. The House cut would mean that the additional costs of the survey operation and bringing the surveyed space into use would have to be managed by the State and local governments without any additional matching funds.

Senator MONRONEY. "Bringing the surveyed shelter space into use." Maybe they ought to be doing some of that.

Senator SALTONSTALL. May I ask this, Mr. Chairman? How much money has been asked by the States and Federal Government? You put in here $32 million. How much has been asked?

Mr. PITTMAN. Their estimates exceed our budget request.

Senator SALTONSTALL. That I expected, but how much?

Mr. PITTMAN. Personnel administrative funds they estimated at $23 million and we cut it down to $18 million, and we think our guess is pretty accurate. It looks like they have budgeted, or are about to budget for that amount in their own appropriations.

EMERGENCY OPERATING CENTERS

Senator SALTONSTALL. Emergency operating centers.

Mr. PITTMAN. That presents a different problem. Most of the $8 million we requested—about $6.9 million—is going to complete the projects already started. We think it would be very difficult to withdraw from the projects we have started.

SURVIVAL SUPPLIES

Senator SALTONSTALL. Survival supplies.

Senator HOLLAND. This is underground offices, in effect, is it not?

Mr. PITTMAN. Many of the emergency operating centers are not office space. They are hardened to provide some blast protection.

Senator HOLLAND. Some what?

Mr. PITTMAN. There is some blast protection provided in the emergency operating centers.

Senator HOLLAND. But aren't they mostly underground?

Mr. PITTMAN. Yes. Underground, but not office buildings. They are special-purpose structures.

Senator HOLLAND. I understand.

Senator SALTONSTALL. $6 million for survival supplies.

Mr. PITTMAN. We would have to try to defer what we could there. These supplies are tied into State and local programs and plans. I am sure there would be some very potent cases made for us to provide equipment they feel is vital in their planning.

Senator SALTONSTALL. That boils it down to the fact that you would have to cut personnel by around one-third if you are going to go forward fully, or nearly fully, with survival supplies and emergency operating centers, because that is $14 million right there.

Mr. PITTMAN. If we must stay within the House action, that is right.

DAMAGE ASSESSMENT

Senator SALTONSTALL. Yes. Now, you mentioned stockpile maintenance. We have talked about that, which leaves damage assessment. What does that mean, $2½ million?

Mr. PITTMAN. Damage assessment is the development of a data base and a computer program so that, if an attack ever happens, it will be possible in a matter of hours to get information on what has happened throughout the country at the national level. When the job is done for that purpose, it is also available for preattack planning.

Senator SALTONSTALL. That could be eliminated then. Would that be a high priority?

Mr. PITTMAN. I think it can be something we would partially defer. It would be something which would be absolutely vital if this ever happened, but deep cuts would impose this risk and some of it would be put off a year.

MANAGEMENT

Senator SALTONSTALL. The last item, $14,600,000 for management. What is that, and how high a priority is that?

Mr. PITTMAN. The reference of the House committee report to the 1962 going rate does not seem to apply to management costs. We were running at an annual rate of about $13.6 million last year on management costs. We have asked for $14.6 in this year because of the expansion of the program.

I would like to point out that most of the activities in 1963 will be as a result of the obligation of funds in 1962. We cannot hold the organization together certainly at less than last year's going rate with an expanded program. So this goes to the question of whether we would be organized for a continuing program if it is to be permitted to continue in a subsequent year. If the organization is disbanded, there would be a good deal of time wasted, and money, in trying to gear up again to do the job.

SUMMARY OF HOUSE ACTION AND RESTORATION REQUEST

Senator SALTONSTALL. Senator Ellender, as acting chairman, may I ask if it can be summarized in this way: You put in a total of $124,918,000, which is the meat of your request. The House gave you $65 million, which left $59,918,000 to be restored. Breaking those eight items down, the warning and alert I understand you postponed. Radiological detection and monitoring, $18 million, which you would postpone and do some of it. Stockpile maintenance, $1,700,000, we have discussed pretty fully, and you will have to go into that fairly fully. Communication control you put off; $10 million, and you have put it off.

Mr. PITTMAN. On communication and control, $3.2 million of that is current operations which we could not put off. It would be possible only to postpone $6.9 million that goes to hardening radio stations and providing shortwave radio circuits for them.

Senator SALTONSTALL. Then damage assessment of $2½ million you defer. Training and education and public information of $20,885,000 you would cut down, but go forward with some. On financial assist-

ance to States of $32 million and survival supplies, you would hold it. On the emergency operating centers, you would presumably hold most of that $8 million. If there was a cut you would have to cut the personnel and administrative expenses of $18 million. You would have to cut it a third or more. Then management of $14,600,000 you said you would have to have $13,600,000, which is the amount you had last year.

That would give us an indication then, Mr. Chairman. I would say if Mr. Pittman wants to revise those figures, it would be helpful. I hope he would write you a letter or communicate in some way, because it seems to me it is the nub of this whole subject.

Mr. PITTMAN. I would appreciate the opportunity to submit a letter on this point, because as I said, we have not attempted to reprogram on the basis of the $75 million House appropriation.

(The letter submitted by Mr. Pittman follows:)

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., August 7, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices,
Committee on Appropriations,
U.S. Senate.

DEAR MR. CHAIRMAN: At yesterday's hearing on the civil defense part of the independent offices appropriation bill, I was asked to supplement the record with a statement regarding priorities of the program elements in order to assist the subcommittee in its work.

In our judgment, $233.7 million is required to continue the President's new civil defense program which was initiated last year following the two civil defense appropriations resulting in a 1962 budget of $256 million. The major portion of the rest of the $695 million request for the fiscal year 1963 civil defense budget would finance the shelter incentive program and the cost of its administration. This element is separable and can be deferred without impairing the current activities.

Further reductions in the fiscal year 1963 civil defense budget would defer the realization of an integrated civil defense system, built around existing shelter space, with a capability of saving large numbers of lives under nuclear attack and, therefore, entails some degree of unnecessary risk to the American people.

If it is the judgment of the Congress that further cuts nonetheless be made in this budget, and if the Defense Department were permitted the option to apply these cuts so as to best preserve the long term objectives of the program, reductions would be applied to the following budget items in the order of priority mentioned below:

Priority:	*Reduction (millions)*
1. Radiological instruments: Reduce $18,100,000 to $10,000,000	$8.1
2. Communications and control: Reduce $10,100,000 to $3,200,000	6.9
3. Warning and alert: Reduces $25,000,000 to $7,500,000	17.5
4. Shelters in existing Federal buildings: Reduce $35,000,000 to $20,000,000	15.0
5. Training, education, and public information: Reduce $20,900,000 to $16,700,000	4.2
6. Damage assessment: Reduce $2,500,000 to $1,500,000	1.0
7. Management: Reduce $14,600,000 to $13,600,000	1.0

I wish to take this opportunity to emphasize that the first year of operation of the new civil defense program has placed the Federal Government in a position of leading State and local governments and private building owners into a difficult undertaking. The essence of the new element of this year's work has been the location of shelter space for about 60 million people, the procurement of provisions for a large part of that shelter space, and the groundwork for Federal assistance to local governments in the difficult task of organizing and training people to use this shelter space. Surveyed shelter areas will protect people at a cost of roughly $3.50 per person, including the cost of survey, marking, and stocking.

Interrupting integral elements of this new program threatens to waste fiscal year 1962 funds and to undermine confidence in Federal leadership in civil defense. It is believed that the above-listed reductions would permit completion of the central features of the first phase of the President's civil defense program, but would fail to provide the supporting systems essential for fully effective use of the surveyed shelter space.

Protective features in Federal buildings have a new meaning. Maintaining this year's progress in a new nationwide civil defense effort is to a very real extent a matter of confidence on the part of State and local governments and building owners. The two provisions of the House Independent Office Appropriation Act requiring specific authorization for fallout shelters in Federal buildings have been interpreted by the press and others as a bar to the Federal Government doing in its buildings what it is calling on State and local government and private building owners to do in theirs. This restriction strikes at the heart of the new program, which is oriented around fallout protection for as many people as possible. The President has expressed his personal concern about this point in his recent letter to you and other congressional leaders.

It is vital that a less sweeping method be found to assure that protective features can be included in Federal buildings under conditions satisfactory to the Appropriation Committees. The experience which can be gathered in the months ahead in designing and modifying Federal buildings will make a significant contribution to the growing body of design technique and cost data which can reduce the size of the task of shielding large numbers of people from fallout radiation. This experience is needed in the development of the new civil defense program; it is needed to assist State and local governments, industry and other building owners; and it is needed to improve the capability of government operations to function under nuclear attack.

Sincerely,

STEUART L. PITTMAN.

CAPABILITY FOR NUCLEAR WARFARE

Senator HOLLAND. Senator Monroney made a suggestion a while ago that I think is well worthwhile. Since we are spending so very much on our ability to wage nuclear warfare, it is rather senseless not to recognize the fact that we are subject to the results and should make some provision to protect against it. I wonder if there is any place where we can turn for an exact statement of the amount of money we have appropriated this year to increase and carry on our capability for nuclear warfare.

Mr. PITTMAN. The capability for waging nuclear warfare?

Senator HOLLAND. Yes.

Senator MAGNUSON. You can get it out of the Defense Department.

Senator HOLLAND. No, you cannot. We can't tell. I have looked at it. I think even an approximate figure on which we could rely here would contrast our two activities in a way which would be helpful to the general public, and perhaps also to Members. I realize that when we are recognizing the possibility of such warfare by making such tremendous investments from the public wealth, we might as well recognize we too are subject to such attack.

FUNDS FOR RESEARCH

Senator MONRONEY. This would be particularly true, Mr. Chairman, in research, because I do not know how many hundreds of millions of dollars we are spending to make our weapons more efficient. Yet we are asking for $10 or $12 million for research on survival.

I do not know how we will ever acquire this in figuring that these things are one-way monsters. They are two-way monsters, and we

have to realize that. If we are fairly going to estimate the capability, that is, because nobody doubts Russia's capability, or our capability.

Senator HOLLAND. It is a very colorful way, I think, and a very understandable way, to emphasize the nature of this question. I saw as soon as Senator Monroney mentioned it, that it would be a very helpful thing for the public and Congress to see, because it would help them to understand if the two figures can be presented.

Mr. PITTMAN. We can provide you with figures.

Senator MAGNUSON. You can do that because you are from the Defense Department itself in a general way. Or else the Bureau of the Budget would know.

Mr. PITTMAN. Of course, there is some problem on providing figures on how much of the Defense budget is allocable to capacity for nuclear war.

Senator HOLLAND. He is in the Defense Department.

Senator MAGNUSON. Yes.

Mr. PITTMAN. We will give you figures on this and on research. I would guess that our research request is under 1 percent of the total defense research budget. Let me say on this point, if there is one area on which all of the scientific community are united on the subject of civil defense, it is that a far larger research effort is needed than has been yet undertaken, that it would be contributing in many directions, and that it has been the missing link in civil defense planning for many years.

(The information requested follows:)

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., August 8, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices,
Committee on Appropriations, U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to the request of your committee at the civil defense hearings for comparative data on the appropriations allocable to developing a capability to wage nuclear war and the proposed civil defense budget pending before your committee.

Any such estimate requires certain rough allocation judgments, because many defense budget items contribute to a capacity to wage nuclear war and to other defense purposes. However, a conservative estimate would put the cost of a nuclear war capability at a minimum of $12 billion for fiscal year 1963. The $233.7 million requested of the Senate Appropriations Committee for civil defense is less than 2 percent of the nuclear war cost.

With regard to research and development, the total DOD effort amounts to approximately $7.1 billion for fiscal year 1963. The civil defense research request totals $17.8 million, or 0.2 percent of the total defense research and development appropriations for fiscal year 1963.

I trust that this is responsive to the committee's request.

Sincerely,

STEUART L. PITTMAN.

EMPLOYMENT

Senator MAGNUSON. We have heard figures around here, but how many people do you now employ in civil defense in the Defense Department? In total?

Mr. PITTMAN. 1,148 is our present ceiling, and 1,041 is the present strength.

Senator MAGNUSON. 1,041?

Mr. PITTMAN. Yes, we could not recruit to our full ceiling strength as we were required to carry people remaining in Battle Creek on our payroll, until picked up by the Defense Supply Agency.

TOTAL EMPLOYEES IN WASHINGTON AND IN FIELD

Senator MAGNUSON. How many are here in Washington, and how many in the field?

Mr. PITTMAN. 432 are here in Washington, and 505 in the 8 regional offices, and 76 in the 3 schools, and 28 assigned to the Federal warning centers.

NATIONWIDE PERSONNEL SUPPORTED IN PART

Senator MAGNUSON. How many people do we support nationwide in the program that we pay part of the salary for, or reimburse the States for, or whatever we do?

Mr. DURKEE. 4,422, as of June 1, 1962.

Senator MAGNUSON. There you have a figure of about 5,500 in that, salarywise.

Mr. DURKEE. Salarywise only part of the salaries.

Senator MAGNUSON. Salarywise in the State and Defense effort?

Mr. DURKEE. Yes.

Senator MAGNUSON. Does it include volunteers?

Mr. DURKEE. No. All of these personnel are covered by the merit system.

Senator MAGNUSON. Yes. In the States most of them are.

Mr. DURKEE. There were 1,796 in the States and 2,626 in the political subdivisions as of June 1, 1962.

Senator MAGNUSON. Any further questions?

ADMINISTRATIVE COSTS OF STATE AND LOCAL GOVERNMENTS

Senator SALTONSTALL. The only question I have, Mr. Chairman, is just to make sure you asked to restore $6 million for section 205. What is that? I think we have said it, but I can't remember.

Mr. PITTMAN. That is the personnel and administrative costs of the State and local governments.

Senator SALTONSTALL. Oh, that is that part we talked about of $18 million.

Mr. PITTMAN. The $18 million.

Senator SALTONSTALL. Yes.

Senator MAGNUSON. That is the one on which we have had extensive floor debate.

RADIOLOGICAL DEFENSE EQUIPMENT

Senator ELLENDER. I would like to revert to the question I asked awhile ago, Mr. Chairman.

Senator MAGNUSON. Yes.

Senator ELLENDER. Once the monitoring stations are completed or constructed, how will they be manned? Will it be a continuing operation?

Mr. PITTMAN. Yes.

Senator ELLENDER. What will be the cost of it, and who will bear that?

Mr. PITTMAN. Most of the network will be the responsibility of the State and local governments. We will provide equipment and they will pay the cost of operating it. We will contribute some of the

training costs in that we will provide instructors and material for training.

Senator ELLENDER. Is that by agreement?

Mr. PITTMAN. No, we will just do it.

Senator ELLENDER. I am talking about the costs to be borne by the local people.

Mr. PITTMAN. How do we know they will do it?

Senator ELLENDER. Yes. How do you accomplish that?

Mr. PITTMAN. We have no recourse against them if they do not do it, except that we are engaged in a continuing joint project in which we have financial contributions to make. For the first time this year we are using our financial leverage, you might say, to bring about a coherent program at State and local, as well as on a national level. We require program papers to be submitted to see what they will do in their local program, and if they fail to carry out their share of the monitoring, or stocking of surveyed shelters, it will be grounds on which to deny funds.

Senator ELLENDER. In other words, in order to get their assistance to pay their share of the monitoring stations, you say to them, "If you do not do that we will deprive you of other moneys to operate other facets of this."

Senator HOLLAND. Will the Senator yield?

Senator ELLENDER. Yes.

LOCATION OF STATIONS

Senator HOLLAND. Didn't I understand you to say these monitoring stations will be located at spots like police stations and fire stations and airports, or installations where we have 24-hour personnel service already being rendered?

Mr. PITTMAN. That is correct.

Senator HOLLAND. So as to minimize the personnel duties and the extra personnel costs?

Mr. PITTMAN. That is correct. And the burden on the State and local governments for this purpose would not be intolerable by any means.

Senator ELLENDER. They like it if they do it that way.

Mr. PITTMAN. I would like to say in the reorienting of the civil defense program in the last year, we have had the problem of bringing State and local plans into coordination with Federal plans. The response has been excellent in most places. I am very concerned about the appearance, or the fact, at this juncture, that having painfully turned the nationwide civil defense effort around, we appear to be reverting to conditions of a year ago. There has been too much shifting in civil defense planning over the years, and it has undermined confidence in civil defense and in civil defense leadership at the Federal level. We are in danger, I think, of again creating doubts as to whether the Federal Government means what it says when it undertakes to set the national course in a certain direction. We have clearly set a course during the last 8 months.

Senator MAGNUSON. Any further questions?

HOME SHELTERS

Senator MONRONEY. Do I understand the rush to build a large number of individual fallout shelters, which were being built on the time-payment plan, and so forth, has pretty well tapered off in relationship to the bigger program you have now?

Mr. PITTMAN. Yes. Certainly the home shelter preoccupation of last fall has faded. I think it will show itself again, and in a somewhat more sensible fashion, as some people act on a preference for finding a solution in their backyards and basements rather than walking some blocks to a community shelter.

Of course, it is very much alive, with the rural population, where distances are too great to solve their problem with a system of community shelters, so home shelters would be the best answer in some areas.

Senator MONRONEY. You could possibly put out a do-it-yourself program.

PAMPHLETS ON DESIGN OF HOME SHELTERS

Mr. PITTMAN. We have done it. We have distributed 8 million pamphlets containing eight designs which bring down the cost to $100 and $200. As you know, the home shelters offered on the market by manufacturers a year or two ago have been running more like $1,500. We found you can do it at very much lower cost if you know how and are willing to do some work yourself.

Senator HOLLAND. Is there much difference in detail between a shelter in plains country for this purpose, and a tornado shelter? Is there very much difference in cost?

Mr. PITTMAN. It is a very similar problem. I would guess the costs would be rather close.

Senator HOLLAND. Could not the same excavation and construction take care of both needs?

Mr. PITTMAN. I believe in some parts of the country one of the motives of people building these shelters will be incidentally to protect themselves against natural disasters.

ROOT CELLARS

Senator MAGNUSON. When I was a kid we called it the root cellar, where we stocked all of our vegetables and put dirt on top of it.

Mr. PITTMAN. Yes. That is where the Russians have an advantage over us. They apparently have a tremendous number of these so-called root cellars in their rural areas. We used to, but now we have ice boxes.

Senator SALTONSTALL. In New England we still have root cellars.

Senator ELLENDER. You are behind the procession.

Senator SALTONSTALL. Oh, no.

Senator MAGNUSON. Thank you very much.

Mr. PITTMAN. Thank you, Mr. Chairman.

Senator MAGNUSON. I wish one or two of you Department of Defense officials would stay if you can, when we hear the Department of

Health, Education, and Welfare, on this medical stockpile, so if we have any questions as to overlap or liaison, we can ask them.

Off the record.

(Discussion off the record.)

COMMUNICATIONS

Senator MAGNUSON. Along with other members of the subcommittee and Senate, I have received a considerable number of telegrams, letters, and communications on the subject of civil defense. These come from throughout the country and represent the thinking of our Governors, State and local civil defense officials, and interested citizens. I think they reflect the concern of the country on this most serious problem and will place them in the record at this point.

(The communications referred to follow:)

AUGUST 4, 1962.

DEAR SENATOR MAGNUSON: We urge you to concentrate your efforts toward securing adequate civil defense funds for the State of Washington civil defense program. Thank you.

Mrs. VIRGINIA DALLAM,
Civil Defense Chapter, Department of Washington American Legion Auxiliary, Wenatchee, Wash.

WASHINGTON STATE DEMOCRATIC COMMITTEE,
Olympia, Wash., August 2, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I've been discussing the matter of the civil defense appropriation with General Llewellyn, State civil defense director, and I am personally concerned that there are contradictions in our program if we do not maintain a strong civil defense appropriation.

It seems to me that at the same time we push a strong foreign policy abroad that we have to be prepared to protect our citizens at home.

I am sure you will do what you can to restore drastic House cuts to provide civil defense funding more in line with President Kennedy's program; but as a minimum to maintain past levels of expenditures and continue ongoing programs.

Sincerely,

HERB LEGG.

CIVIL DEFENSE,
Yakima, Wash., August 2, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: The lack of appreciation of the Congress for the necessity of continuing the civil defense shelter program is a matter of great concern to me. In Yakima there are less than 10,000 shelter spaces with a protection factor of 100 or more. Protection for any appreciable part of the population can be achieved only through the shelter incentive program.

Your assistance in having the cuts that were made in the DOD–OCD budget restored in its entirety, will be greatly appreciated.

Sincerely,

A. E. EVERIST,
Director, City of Yakima Civil Defense.

YAKIMA COUNTY CIVIL DEFENSE,
Yakima, Wash., August 2, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: There is a principle in military planning to the effect that one must be prepared to protect himself against any action that the enemy is capable of taking. I think no one questions the capability the Russians have of bombing, either with manned bombers or ICBM's all vital areas in our country. Having this capability we should take such steps as are necessary to protect the population and property of the Nation.

Civil defense, being in its infancy, is not generally understood by the public nor by lawmakers. It is the only agency that is committed solely to the task of protection of the civilian population in time of war. Shelter is the only protection from fallout. Without funds to continue the work started in the shelter program, it will die on the vine.

Your support is requested, to have the funds which were cut from the DOD-OCD budget restored in their entirety. I believe this is vital to the defense of our Nation.

I am enclosing comments that I made to the U.S. Civil Defense Council regarding the function of civil defense.

Sincerely,

L. G. CRONKHITE, *Director.*

COMMENTS OF L. G. CRONKHITE, DIRECTOR, YAKIMA COUNTY CIVIL DEFENSE, YAKIMA, WASH., APRIL 4, 1962

Attention is invited to the many annexes to the national plan for civil defense which specifically assigns to the many departments and agencies of the Federal Government certain responsibilities. In many cases these departments can and do perform these functions within the scope of their day-to-day operations. In order to coordinate the activities of these departments and utilize their services to the best advantage, liaison at the local level will have to be established. If these departments do not recognize that their effectiveness in a national emergency would be greatly impaired by not operating as part of a team, they will not attempt to become part of the team. National drills should incorporate problems to be solved by each department and that they report through local civil defense.

As things now stand, it is like an army unit of several components, each having the general plan but each operating without coordination. The artillery fires when it feels like it—air support is furnished at points and times it decides are best and the poor doughboy gets hell because the attack does not progress satisfactorily. We in civil defense are the doughboys in today's deal and I'm getting tired of having to keep a pillow strapped on my rear end to absorb the kicks because others do not recognize or put into practice the principle of "a coordinating agency for existing services."

ARLINGTON, WASH., *August 2, 1962.*

Hon. Senator MAGNUSON,
Washington, D.C.

DEAR WARREN: Since I sponsored the bill in the house for the continuity of government as a part of civil defense I am vitally concerned about supporting appropriations, which I notice has been substantially reduced.

I believe I am correct in that you are a member of the committee who will consider the appropriations in the Senate. It is vital and concerning to us on the Pacific coast that we are not left wanting in the area of defense.

You are undoubtedly aware of the strategic position and therefore the need of this program. People I have contacted feel the urgency and necessity of full support in appropriating the money needed for continuance of this department's activities.

I feel confident you will give this your considerate attention and support.

Sincerely,

HENRY BACKSTROM.

PACIFIC COUNTY CIVIL DEFENSE COUNCIL,
South Bend, Wash., August 2, 1962.

Hon. Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.

DEAR SIR: Pacific County commissioners go on record favoring the restoring of President Kennedy's request for financing the civil defense program including the incentive shelter program eliminated by the House Appropriations Subcommittee.

Yours truly,

D. J. GILLIES, *Director.*

KITTITAS COUNTY CIVIL DEFENSE OFFICE,
Ellensburg, Wash., August 1, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senator, Washington, D.C.

DEAR SENATOR MAGNUSON: As civil defense director of Kittitas County, I want to urgently request that you do everything in your power to have the national civil defense budget restored in its entirety.

A great deal of work, and considerable expense, has already gone into the new shelter program in this county. To have it curtailed now would be a serious blow to public acceptance of civil defense itself, which has reached a gratifying new high since the inception of the national shelter program.

Our local office here has received much adverse comment from the general public to the recent action of the House Appropriations Committee. Apparently, the feeling is that they have been badly let down by this action.

This action will also greatly impair our local civil defense program and operation, in that former plans and ideas have been completely revised over the past months in favor of the new concept of community shelters.

I know that all of us in civil defense, and a majority of our citizens in this county will greatly appreciate every effort you can put forth to keep the national shelter program going the way our President intended it to.

Respectfully yours,

J. AL JOHNSON,
Director, Kittitas County Civil Defense.

OLYMPIA, WASH., *July 31, 1962.*

Hon. WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR: We are concerned to hear that "shelter area plans are doomed by bill defeat."

This will affect a number of schools, hospitals, and other public buildings which could include fallout shelters if this bill were passed by Congress.

Our group of women believe firmly in fallout areas in Thurston County—thus our concern.

Very truly,

Mrs. F. N. DAVIS,
Chairman, Thurston County
Women's Civil Defense Committee.

VANCOUVER-CLARK COUNTY CIVIL DEFENSE,
Vancouver, Wash., August 3, 1962.

Re Senate Budget Subcommittee.

Hon. WARREN G. MAGNUSON,
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: As civil defense director of Vancouver and Clark County, Wash., I have received inquiries as to the effects of the recent action taken in the House in regard to the drastic reduction in the proposed civil defense appropriations and the withholding or withdrawing of funds which had been previously budgeted for civil defense.

Many of these people who have contacted me feel that it is desirable that funds be available to continue the national shelter survey and the stocking of existing shelters and that public support of a practical fallout-protection program predated the Berlin crisis. I believe that in Clark County a majority of the people want us at the Federal, State, and county levels to continue to develop a community shelter program.

Therefore, I would like to ask you, as chairman of the Senate budget subcommittee, to consider the restoration of funds which have previously been made available to civil defense.

Sincerely,

JOHN H. RODMAN,
Director, Vancouver-Clark County Civil Defense.

AMERICAN LEGION AUXILIARY,
DEPARTMENT OF WASHINGTON,
Kennewick, Wash, August 1, 1962.

Senator MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: Our Department of Washington, American Legion Auxiliary, is very interested in civil defense. We urge you to place concentrated action to secure favorable acceptance of the civil defense program for the State of Washington so that that program can be continued with adequate funds to carry on in the State.

Sincerely,

Mrs. MERRILL SIMMELINK,
Department President.

SEATTLE ARCHDIOCESAN COUNCIL OF CATHOLIC WOMEN,
Olympia, Wash., August 2, 1962.

Hon. WARREN MAGNUSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR: In behalf of the Seattle Archdiocesan Council of Catholic Women, the Governor's Advisory Council for the State of Washington, and the county civil defense council, of which I am a member, we would like you to endorse the bill now in front of Congress concerning funds for civil defense and the future safety of our country.

I sincerely hope you will take our request into consideration. Thank you kindly for your time and effort.

Yours truly,

Mrs. GEORGE BARLOW,
Civil Defense Chairman.

WAHKIAKUM COUNTY,
DEPARTMENT OF CIVIL DEFENSE,
Cathlamet, Wash., August 2, 1962.

Re President Kennedy's proposed budget for civil defense.

Hon. WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: As you likely well know, we out here in Washington are well aware of the importance of a strong civil defense organization, and naturally a well-financed one.

I am writing particularly in regard to the recent action of Congress when the President's proposed budget for civil defense was drastically cut. We here at home in the State civil defense program, from the State director down to the county civil defense directors are really concerned over this action and we earnestly request that you use your best effort for the restoration of that part of the President's proposed budget which was deleted. As one Army officer put it, "The Army could not long endure without a strong civilian support."

Sincerely and respectfully yours,

R. M. BUNN,
Wahkiakum County Civil Defense Director.

WASHINGTON, D.C., *August 8, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Senate Committee on Appropriations, Senate Office Building, Washington, D.C.:

The House of Delegates, American Bar Association, today at San Francisco passed the following resolution:

Whereas the American Bar Association has, since 1957, urged the Federal Government to assume responsibility for the development of adequate plans for survival and continuity in the event of atomic attack upon the United States; and

Whereas civil defense is an essential and inseparable part of national defense: Now, therefore, be it

Resolved, That the American Bar Association respectfully urges the President and Congress to initiate a comprehensive civil defense program, providing leadership and appropriate financial support to State and local authorities as may be necessary, to the end that in the event of atomic attack upon the Nation (1) traditional functions of law and government are continued without interruption, (2) martial law and military force may support but shall never supplant civilian authority in governing the civilian population, (3) sufficient protection is provided for the moment of attack to assure survival of a citizenry in mass, and (4) careful and adequate plans are made for postattack survival, readjustment, and reconstruction.

JOHN C. SATTERFIELD,
President, American Bar Association.
RUFUS KING,
Chairman, American Bar Association Committee on Atomic Attack.

U.S. SENATE, COMMITTEE ON COMMERCE,
Washington, D.C., August 7, 1962.

Senator WARREN G. MAGNUSON,
Chairman, Appropriations Subcommittee on Independent Offices, Senate Office Building Intramural.

DEAR SENATOR MAGNUSON: Mr. W. A. Kengla, director of civil defense of Austin, Tex., is very much concerned over the action of the House committee in reducing the amount of funds requested by the President for the civil defense program for the coming year.

He has furnished me the attached statement of his own views and those of other citizens of Austin, Tex., who he has interviewed.

I submit them for the consideration of yourself and the other members of your subcommittee.

Yours very sincerely,

RALPH W. YARBOROUGH.

A local community must turn to its Federal Government for consistent guidance, leadership, information, and support if it hopes to be correct and significant in providing a practical survival capability for its citizens.

All of the guidance which we have received from the President, the Joint Chiefs of Staff, the House Committee on Government Operations, and the Office of Civil Defense, Department of Defense, assure us that our national civil defense program is essential to the survival of our Nation—as a highly significant factor of our national defense.

Hence, when the same Federal Government is unwilling to financially sustain the guidance, leadership, and information which it promulgates—the entire program stands to lose a decidedly major portion of its significance in the minds of our citizens. I assure you that these minds are confused enough already concerning civil defense.

The following comments, made by Austin-Travis County citizens, concerning this reduction are quite revealing. Some of them are also difficult to refute.

1. "Our President and our Congress have access to more, and better information, than any man, organization or nation within the free world—on the subject of nuclear attack. They certainly must lack confidence because they both go to extremes to avoid facing the issues of a survival capability for the American people."

2. "We seem to be doing plenty about putting our missiles in underground silos. We protect our officials with underground control centers. What are we doing to protect our people?"

3. "The Federal Government knows civil defense is hopeless—it just doesn't have the courage to admit it to the people."

4. "Civil defense is just a political 'kicking can.' The Federal Government is afraid to face the people with the facts. They just hope the people will accept the panacea of an incomplete civil defense program and forget about the threat of nuclear attack."

5. Nothing can be done. Our Federal Government can't decide where to start, in the development of a survival capability for our people."

6. "We can't develop an adequate survival capability here. Our Federal Government can't, or won't, produce the kind of guidance and support we require."

7. "Civil defense is a Federal boondoggle. They use it as an 'adjuster for budgets.'"

8. "The Federal Government is as frightened and confused as we are."

9. "Where can we find the truth about the feasibility of an effective survival capability for our people? Our Federal Government has been working on it for years with no significant results—we have been—and will, probably, continue to be—'sitting ducks' in the interim."

10. "Congress is taking another means to humiliate and 'discipline' our President—through crippling his proposal."

11. "Must the President and Congress bicker and procrastinate while the people stand unprotected?"

12. "This redutcion is callous political expediency with no consideration for the protection of the American public."

13. "What did the Holified committee have to say about this reduction? Were they consulted in detail?"

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
August 6, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: Governor Notte and other important officials in my State have informed me of their strong belief that the $18 million requested by the President for personnel and administration of the civil defense program be approved.

I am writing to endorse their views and to express my own personal hope that your subcommittee will restore the cut made by the House for these particular funds.

Warm regards.

Sincerely,

CLAIBORNE PELL.

U.S. SENATE,
Washington, D.C., August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Appropriations Subcommittee,
New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I know you will be interested in the enclosed copy of a wire which I have just received from Gov. Richard J. Hughes of New Jersey. I know that you and your subcommittee will want to give the Governor's views every consideration.

Kind regards.

Sincerely,

CLIFFORD P. CASE, *U.S. Senator.*

AUGUST 1, 1962.

Hon. CLIFFORD P. CASE,
Senate Office Building, Washington, D.C.:

Congressman Albert Thomas' subcommittee report on the Federal civil defense budget will affect adversely every local county civil defense program in New Jersey as well as the State program. Secretary Pittman goes before Senate subcommittee headed by Senator Magnuson on August 6 to request restoration of cut. Request your assistance in this matter.

RICHARD J. HUGHES,
Governor of New Jersey.

MILITARY OPERATIONS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C., August 6, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee,
Committee on Appropriations, U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: I strongly urge your subcommittee to reinstate civil defense funds deleted by the House in voting out the independent offices appropriation bill.

In the course of the House debate on H.R. 12711, I was allowed a few minutes to discuss the unfortunate consequences of cutting the requested civil defense budget from $235 to $75 million, a 68-percent cut. Congressman Price, of Illinois, also presented an important statement along this line. Our remarks will be found at pages 13995–13996 and 14003–14005 of the Congressional Record for July 30, 1962.

As chairman of both the Joint Committee on Atomic Energy and the Military Operations Subcommittee of the House Committee on Government Operations, I have studied civil defense matters intensively and extensively over a period of years. Within the past 7 years, these two committees have issued about a dozen reports in this field.

Civil defense has been, for the most part, an unpopular and neglected subject. It is my strong and sincere conviction, however, that the Federal Government must act decisively in this field to give the American people a chance to survive and continue the Nation's existence in case of nuclear attack.

President Kennedy, who wrote to you a few days ago on the civil defense budget, recognizes the crucial importance of civil defense. The program he set in motion last summer is well underway, effectively operated, and producing results. A budget cut would merely delay and disrupt what must be done, sooner or later, for the protection of the people; and in my view, delay is dangerous.

It should be emphasized that the House cut in civil defense funds directly affects ongoing programs. As you know, authorizing legislation for the shelter incentive program has not yet been enacted, and consequently, $460 million of the original $695 million proposed for civil defense this year are not now before your subcommittee. The remaining $235 million are necessary to continue important programs underway and to complete the national shelter survey largely financed with 1962 funds.

In equipping the shelters already identified for effective use by the public, a great deal more must be done, particularly by State and local civil defense organizations, who will not be able to respond to the challenge of large and continuing tasks unless the necessary funds are forthcoming. At this stage,

with the substantial amounts of time, money, and effort already invested in a fallout shelter program, it is not good business or good sense to fail to exploit the resources that are at hand for shelter purposes.

I should make one other point. The House committee deleted the bulk of the funds in the expressed belief that more research is needed for so costly and complex a problem. As Congressman Price pointed out on the floor, research is needed in certain areas, but research is not needed to establish the fundamental fact that shelter is the only feasible means of protection against radiation. Using existing structures or increasing fallout shelters in new buildings depends on techniques well known in architect-engineering circles. In fact, the national shelter survey is being conducted by some 2,000 architect-engineer firms under the supervision of the Army Corps of Engineers and the Navy Bureau of Yards and Docks.

Enclosed is the most recent report on civil defense issued by the Military Operations Subcommittee under my direction. While we have been critical in certain respects of the administration's program, our criticism has been in the interest of an improved and broader program, encompassing protection against blast and thermal as well as fallout effects. However, our report recognizes that the present program is a valuable start, and certainly we owe it to the American people to take civil defense seriously and to provide congressional support for an effective program.

Sincerely yours,

CHET HOLIFIELD,
Chairman, Military Operations Subcommittee.

MARICOPA COUNTY AND CITY OF PHOENIX
CIVIL DEFENSE JOINT COUNCIL,
Phoenix, Ariz., May 15, 1962.

Hon. CARL HAYDEN,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR: Congressman Carl Vinson, the Armed Services Committee, is scheduled to commence his hearings soon on the Department of Defense appropriation which will include recommended funds for civil defense.

As chief deputy director, Maricopa County and city of Phoenix civil defense-joint council, it is urged that you give your support toward obtaining the full amount of the appropriation recommended in the current budget.

Federal guidance and the required financial support are badly needed to acquire the strong nonmilitary defense posture needed to insure the survival of the civil population. It appears to me that only the Federal Government can adequately provide the direction for the common defense of the country. The command administrative structure of civil defense could follow those lines now used with the operation of the National Guard in its relationship to the State and local levels. Such an arrangement would greatly enhance its status and provide for posture and firm direction in attaining its mission.

My kindest and most cordial personal regards,

Sincerely yours,

WILLIAM G. ELDRIDGE,
Chief Deputy Director.

GREENVILLE, ALA., *August 2, 1962.*

Senator WARREN G. MAGNUSON,
Washington, D.C.:

This is to urge you to oppose the report which goes before the House within the next few days to cut the civil defense budget. As a citizen it is my opinion that this program is a necessity to the future protection and well being of our country, and it should be termed as such at all costs.

Any action you can take to defeat this cut will be a step toward preserving the people of this great country.

Sincerely,

HOWARD HAYGOOD.

GOVERNOR'S OFFICE,
Sacramento, Calif., August 6, 1962.

HON. WARREN G. MAGNUSON,
Chairman of Subcommittee on Appropriations for the Senate,
Senate Office Building, Washington, D.C.:

My radiological defense advisory committee has informed me regarding the urgency of the matter now pending before your committee concerning appropriation for continuation of the civil defense shelter program. I strongly urge your committee to restore this appropriation to the level recommended by President Kennedy.

EDMUND G. BROWN, *Governor.*

ALAMEDA, CALIF., *July 31, 1962.*

HON. WARREN G. MAGNUSON,
U.S. Senator, State of Washington,
Senate Office Building, Washington, D.C.

DEAR MAGGIE: As you may recall, I have been with the national civil defense program since July 1961. I went from Olympia to the national operational headquarters in Battle Creek and then to Washington, D.C., when the offices were transferred there. In February, I transferred to the civil defense training center here in Alameda.

During this past year, I have studied intensively the history, programs, and development of civil defense in our country; as I have been working—in the national office and in the civil defense training center—I have become very much convinced that Secretary Pittman has presented a sensible, attainable program to carry out the President's plan for civil defense for all the people. This is actually the first time that such a comprehensive, long-range program has been presented by the national civil defense agency.

The city of Alameda is typical of many other cities in the United States, I am sure. It has never seemed to support civil defense as such; the local paper has been very critical of the national program in the past. The Pittman proposals did make sense, and people were just beginning to be sold on the idea. Enclosed are some articles you might like to read. I would tend to believe that they are examples of what other local papers are printing, in all parts of the United States.

Although this is not Washington State, I am sure that the recent action of the House Appropriations Committee will be just as confusing and disheartening to the people of our own State as it is described in these articles. As the Elmo Roper poll showed, people have become interested in civil defense to the extent that they will support it nationwide.

I understand that your Appropriations Committee will consider this matter next Monday. I certainly hope you will do all you can to restore as much of the President's program as possible, especially the funds for providing shelter in Federal buildings. If Congress, representing the people's government, does not lead the way by making provision for shelters in the Federal buildings, then it does not believe in civil defense. This is tragic for all of us.

Best wishes to you and all your staff.

Sincerely,

GRACE BELL.

[From the Alameda (Calif.) Times-Star, July 30, 1962]

Coordinator Ward Says—

JFK SHELTER PLAN BAN "DISASTROUS"

The House appropriations committee's action in rejecting President John F. Kennedy's $568 million mass shelter construction was termed "disastrous" this morning by William Ward Jr., region II coordinator for the California Disaster Office.

Unless the budget bill is overruled when it is reported to the House, this would kill the proposed "shelter incentive" program, according to Ward.

The funds would be used for construction of a 1,000-person fallout shelter in the basement of the school's new gymnasium on which construction is expected to begin by the end of the year.

Under the shelter incentive program the bill would provide $25 per shelter space or for the construction of the shelter, whichever is less.

The bill was designed to encourage the construction of shelters in schools, public buildings, hospitals, and other nonprofit organizations.

Current studies under the national fallout shelter program have revealed that at present there is shelter for only an estimated 1,056 persons in Alameda, excluding those who might find shelter in the Posey Tube and at the Alameda Naval Air Station.

Civil defense authorities had hoped that under the incentive program the number would greatly increase.

At present NFS surveys are in the phase II stage during which buildings found to meet basic shelter requirements in phase I are being studied in greater detail.

A. L. Warren, contract project engineer for Indenco Engineering, of San Leandro, the firm conducting the Alameda study, said this morning that phase II has been completed, except for the Posey Tube and the Naval Air Station.

However, he said that results won't be available for several weeks until the Navy processes data compiled by the survey team.

During phase I, Indenco found 34 Alameda structures that loomed as potential shelters, but closer studies have narrowed this number down considerably.

Neil Clark, city shelter representative, said that the estimate of 1,056 spaces is based on 7 structures which have met the requirements for providing the minimum protection against radioactive fallout without alterations.

He added that fallout shelter licenses—permission to use the structures for a shelter—have already been executed with five.

Under the fallout shelter program Federal funds would be used to bring other buildings up to the minimum fallout protection standards.

DEPARTMENT OF DEFENSE,
OFFICE OF CIVIL DEFENSE,
CIVIL DEFENSE TRAINING CENTER,
Alameda, Calif.

[From the editorial page of the Alameda (Calif.) Times-Star, July 28, 1962]

WHY WAS JFK'S FALLOUT SHELTER PROGRAM REJECTED?

The action of the House Appropriations Committee yesterday in rejecting the President's fallout shelter program had as its excuse the following statement:

"The committee believes that before the Nation embarked on an extensive fallout shelter construction program involving billions of dollars, more study and research should be applied to the vast and complex problems involved."

Such reasoning as this is peculiar indeed in the light of what is already known about the effects of atomic weapons and the protection that can be taken against them. In fact, it is so peculiar that it makes sense only if the committee has acquired knowledge which the President and his advisers did not have when the President's program for shelter construction was announced.

And that possibility is so remote and so improbable as to be completely fantastic. For if such new knowledge did exist, it would certainly be known to the President, and in that case it is a virtual certainty that another course would have been taken than to have the House committee kill the program by means of a vote.

Why then did the committee kill the program? What was the true reason?

It doesn't make sense that the committee really felt the serious need for more study and research before approving the program for building fallout shelters.

It has been long established that if an atomic war did break out, our people—if there were enough shelters—could survive in far larger numbers than would otherwise be the case. Even though millions would die, there would be more millions able to carry on.

It is also now well established that the Russians, who have been disclaiming any shelter program, have actually been constructing shelters in sufficient quantity to provide protection for many of their citizens.

And at the same time, Communist agents have been agitating in this country against any shelter program whatsoever on a variety of grounds, one of the most novel of which is that if we had a truly effective shelter program, it would actually contribute to a war psychology by giving us a feeling of security.

Such a thought as that is amusing in a way. Translated into more personal terms the logic of it is that a man should not know how to defend himself with his fists because if he does, then he will be more likely to get into fights. And that, of course, is nothing other than a conditioning for the "better Red than dead" attitude which, if the majority of us were to have it, would result in the quick surrender of the country to communism.

In view of such facts as these the action of the committee becomes so extraordinary that one cannot help wondering how many of its members will be retired to private life in the election this fall. For whatever the real reason behind the committee's rejection may be, it cannot be a sound one.

JULY 25, 1962.

Re civil defense appropriation.

Senator CARL HAYDEN,
U.S. Senate, Washington, D.C.

DEAR CONGRESSMAN: I am writing you and a few other key congressional leaders, to express a point of view which needs expressing, and do so as a very active CD chairman for a homeowners association (800 to 1,000 persons), a shelter owner, the wife of a nuclear engineer, and a busy mother of four young children. Although I am not from your State, I feel that this matter is above and beyond regionalism.

Are most people in favor of CD expenditures? Definitely yes, and my answer has basis in fact. Many people of my acquaintance are putting food, clothing, camping supplies, and radiological equipment in a shelter area, while awaiting congressional approval of CD funds for community shelters. They feel that community shelters are the answer, and are waiting for them to be built, regardless of what the vocal minority has to say. The resumption of Russian testing might be an additional catalyst for the indecisive.

Is Congress in doubt as to the public's feelings on this matter? Perhaps. Most folks are not strongly motivated to write urging approval of a matter they are so sure will be passed, and which is so in accordance with their wishes. However, with a little urging from you, they might be persuaded to write.

Are shelters accepted as a part of our way of life now? Again, yes. Previously, the subject was a touchy one, but not so much so now, for a number of reasons:

(1) There is still great interest in shelters and shelter "stays"; I speak from practical experience. Since the construction of our backyard underground shelter, our ordinarily quiet street is very busy. People are always asking us about our shelter, wherever we go. (When are you having an open house? What is your ventilating system like? How are you stocking it? Is it readily accessible? etc.) Interest has been steady and sustained. In fact, people have bordered on being pesky at times.

(2) Most of the individuals with whom I have spoken are in favor of shelters, both private and community. In fact, I would conservatively estimate that the "anti" element composes less than 5 percent of the total. People think shelters are sensible, and a Gallup poll a year ago indicated that 65 percent of the population favored them—I would venture to say that the percentage would be even higher now.

(3) Just as TV had opportunists blocking its progress, so have shelters. Now the shelter salesmen have settled down to steady respectable business practices, thanks to the establishment of Government standards, and a balance of sorts has been achieved. The fakes have been weeded out, and thrown by the wayside. Building permits are no longer an accurate gage of interest in shelters, since Yarmolinsky's yellow book featured prominently the sandbag shelters, which I cannot believe require permits for construction. People are just beginning to be less reluctant to buy (New York CD show coming up this fall will tell the tale) and they are a little more confident about getting a good product.

(4) For a bit of levity, might I comment that when shelters reach the comic strips they are "in" as part of our way of life. Witness "Hubert" of the Sunday papers a fews weeks ago, as one of many examples.

The point of my letter is this: I would hate to see legislation that I believe most people honestly favor be defeated because Congress was in doubt as to the public's real feelings; in all sincerity, I hope you plan to back CD appropriations.

Very truly,

Maral A. Johnson,
Mrs. LOERING M. JOHNSON.

Tariffville, Conn.

ST. JOHNS COUNTY CIVIL DEFENSE COUNCIL,
St. Augustine, Fla., August 6, 1962.

Hon. Senator MAGNUSON,
U.S. Senate Office Building,
Washington, D.C.

DEAR SIR: I am very disappointed with the action taken by the House Subcommittee on Appropriations with reference to the administration's budget for civil defense. I appeal to you to take a careful look at this and to use your influence to restore these appropriations. Unfavorable action by Congress at this time will further decrease public interest in civil defense and will have adverse effect on State and local appropriations.

I think that the following is very good and expresses my views:

"What reasonable action can we take now to assure the survival of our Nation should that dark day of nuclear attack ever come? An essential part of the answer to that question is a system of fallout shelter space in every community of our Nation including, certainly, our community. And this is the reason for a fallout shelter program: To provide a shield across the Nation that would save millions of lives if we should be attacked with nuclear weapons * * *. American lives that could save and rebuild the United States."

Thanking you for your attention to this matter, I remain,

Yours truly,

FRED V. WILLIS, Jr.,
Director, Civil Defense, St. Johns County.

I am enclosing several extra copies of this for your subcommittee. I strongly urge you to take a careful look at the facts before you consider any reductions in the proposals discussed above.

BOARD OF COUNTY COMMISSIONERS,
BROWARD COUNTY,
Fort Lauderdale, Fla., August 3, 1962.

Hon. Senator MAGNUSON,
Chairman, Senate Subcommittee, U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: Unfavorable action by Congress on the civil defense budget requests at this time will certainly curtail the program at the local level.

Lack of interest at the Federal level can prevent completion of local objectives and responsibilities, while action at the State and local level is a necessary ingredient in any effective civil defense effort.

The goal of truly nationwide protection cannot be achieved without a meaningful Federal program.

I, therefore, wish to urge you to give the proposed Federal shelter incentive and civil defense program your full and vigorous support.

Sincerely,

OLIVER F. LOVENDAHL,
Director, Broward County Civil Defense Coucil.

OFFICE OF CIVIL DEFENSE,
Town of North Andover, Mass., May 29, 1962.

Senator CARL HAYDEN,
Chairman, U.S. Senate Committee on Appropriations,
Senate Office Building, Washington, D.C.

DEAR SENATOR: I am a volunteer local civil defense director who has been associated with the civil defense program for many years, probably motivated by a sincere concern for the welfare of the people of my community and the need for a strong local civil defense in terms of supporting a national interest.

It is my strong conviction that the current leadership in the Pentagon is headed in the right direction. For the first time policies and programs are being developed which, in my opinion, will make civil defense a more meaningful organization with real operational capability.

I could elaborate at greater lengths as to my reasons for making such a statement; however, let me assure you that my view is the well-founded view of an experienced director who also has some 19 years of military background and a successful business career.

I do not come to these conclusions quickly nor make comments such as this lightly.

May I urge you and your committee members to lend every support to this program as it is currently being constituted. Your interest and leadership is most deeply appreciated.

Yours sincerely,

DEWEY A. DYER,
Director, Civil Defense.

MINNEAPOLIS, MINN., *August 8, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Minneapolis officials urge restoration of Defense Department's recommended civil defense appropriation. Imperative that complete civil defense program be accomplished at the local level. Your support will assist us in meeting our total responsibility during civil defense emergency.

Mayor ARTHUR NAFTALIN.

CITY OF ST. PAUL BUREAU OF CIVIL DEFENSE,
St. Paul, Minn., August 3, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Subcommittee on Independent Offices Appropriations,
New Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: Mr. Steuart L. Pittman will appear before your subcommittee on August 6 to testify concerning the administration's budget and support of the national shelter program.

As a local civil defense director who is now engaged in carrying out the Federal program, I have a vital concern to see that the Federal Office of Civil Defense, Department of Defense, budget is increased over fiscal year 1962 so that my city council is aware that the Federal Government is taking the lead not only in the program but in appropriations in support of that program.

I hope that you will support Mr. Pittman's request to restore the cuts made by the House Subcommittee on Independent Offices Appropriations.

Sincerely yours,

L. W. MARSH,
Director, St. Paul Bureau of Civil Defense.

COUNTY OF RAMSEY,
DEPARTMENT OF CIVIL DEFENSE,
St. Paul, Minn., August 3, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR SIR: Please be advised that I support Secretary Pittman's civil defense program and request that his proposed budget be favorably considered by your subcommittee.

We on the local level cannot hope to develop a fallout shelter capability without the necessary Federal financial support which the Thompson committee deleted.

Respectfully yours,

LORIN S. ALLEN, *Director.*

STATE OF MISSOURI,
CIVIL DEFENSE AGENCY,
Jefferson City, August 2, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senator, Washington, D.C.

DEAR SENATOR MAGNUSON: The Missouri Civil Defense Agency and civil defense agencies of the political subdivisions of Missouri will strongly support the position of Stuart Pittman, Assistant Secretary of Defense for Civil Defense, in seeking restoration of House cuts in civil defense appropriations.

If allowed to stand, the House action will wipe out all gains made in the civil defense field in Missouri in the last 2 years. I am sure the same situation would be true in your home State and many other States.

It is sincerely hoped that your subcommittee will do its best for our total civil defense program by urging the restoration of the civil defense appropriations which were slashed by the House of Representatives.

Sincerely,

DEAN LUPKEY, *Director.*

NUCLEONICS,
New York, N.Y., August 8, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Senate Appropriations Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: I enclose a statement for the consideration of your committee in connection with the public hearings on the civil defense budget requests to be held August 14. The statement contains my personal views as a physicist and a private citizen in a opposition to the appropriation of public funds for a national shelter program. I would welcome the opportunity to appear before the committee in person to present the statement and to answer any questions the committee might have with respect to it.

Respectfully yours,

HAROLD L. DAVIS, Ph. D.
Associate Editor, Nucleonics.

STATEMENT OPPOSING OFFICE OF CIVIL DEFENSE APPROPRIATIONS

Mr. Chairman and members of the committee, my name is Harold L. Davis, and I reside at 61 Morton Street, New York, N.Y. I am a graduate of Carnegie Institute of Technology and have a Ph. D. in nuclear physics from Cornell University. For the last 5 years I have held the position of associate editor of Nucleonics, a monthly journal covering the atomic field. I offer the following statement to the committee which contains my views as a physicist and a private citizen concerning the proposed civil defense program.

In brief, I am concerned that the numbers of people the Defense Department claims would be saved by a fallout shelter system are "idealized" estimates that would prove to be tragically overoptimistic should we ever be confronted by a real nuclear catastrophe.

I maintain that a more realistic evaluation of the usefulness of a nationwide fallout shelter program would lead us to conclude that the enormous amount of money and effort contemplated for this program could better be spent in other ways.

The Department of Defense envisions a fallout shelter program built over a period of 5 years at a total cost of $5–6 billion providing 235 million shelter spaces. The Department bases its justification of this program on predictions that such a shelter system would save something like 50 million lives in the event of a nuclear attack on this country. For instance, in his testimony before the House. Secretary Pittman stated that in a representative attack of 6,000 megatons 90 million people might be killed by the blast and fire and 50 million by fallout leaving 30 million survivors. A fallout shelter system, it is argued would protect the 50 million people that would otherwise die from fallout and thus make possible 80 million rather than 30 million survivors.

I believe these estimates of the numbers that would be saved by fallout shelters are grossly overoptimistic. The Defense Department numbers assume that everyone in the country not killed outright by the direct effects (blast and fire) of the nuclear explosions will be able to take advantage of the fallout shelter system as needed to avoid a lethal radiation dose. In other words these figures assume the shelters are 100-percent effective. In any practical situation a number of factors would conspire to limit the actual effectiveness of a shelter system to a value far short of the theoretical 100 percent assumed in the Defense Department figures. Some of these factors include:

Shelter access time.—Fallout of radioactive particles can commence 15 minutes after a nuclear burst at distances of 10 miles from the burst (and this early fallout is the most radioactive). Some fraction of the population, residing within 10–15 miles of the 10-megaton burst, may not be able to reach the shelters in time to avoid fatal radiation doses. This is especially true if the people have to make their way on foot through streets made impassible by debris piled up by the blast wave.

Fallout hotspots.—The fallout pattern would not be uniform across the country but would be considerably more intense in some regions compared to others. In a nuclear attack the fallout in some regions will be so intense that shelters with a protection factor of 20 (the minimum acceptable to the Defense Department for stocking and marking) will fail to protect occupants from sickness and death. I have made estimates based on data from Government reports that for a 10,000-megaton attack consisting entirely of surface bursts, in almost a third of such shelters across the country half of the occupants would fall seriously ill with radiation sickness.

Within the time scale contemplated for the shelter program a 10,000-megaton attack is not, by any means, out of the question. By 5 years from now, we are scheduled to have more than 600 hardened missile sites. To have a reasonably good chance of knocking out one of these sites an enemy would have to attack with two 10-megaton missiles. Hence, an enemy launching a counter force strike (which, everyone agrees, is the most "rational" kind of attack an enemy might carry out) would have to use 12,000 megatons ($2 \times 10 \times 600$) on the hardened missile bases alone.

In addition to these physical limitations of shelters, one can point to the following "human factors" that, in my opinion, pose even greater limitations on selter effectiveness:

Information and training.—It is common knowledge from experience with information campaigns that even the most intensive, nationwide program on the locations and proper use of the proposed shelters would fail to reach half of the families in the United States. Although the Government might have 235 million shelters ready and wating when the attack came, more than half of the people would not know where the shelters were or how to use them. One might imagine a very ambitious program in which adult citizens are required under penalty of the law to attend orientation sessions and demonstrate through tests that they are adequately informed. Even if such a thing were feasible, it would certainly be rejected by the American people as an infringement on personal liberty. Also, the end value of such training is questionable in view of the following point:

Panic reactions.—Even in instances where people are fully informed beforehand, many people, because of psychological reasons, fail to act appropriately in time of crisis and will be unable to take proper advantage of the protection offered by public shelters. Psychologists have found that in situations of extreme emergency (i.e., under enemy fire in combat) only one soldier out of six can be expected to act in an effective way (i.e., find good protective cover and fire his rifle in the general direction of the enemy). Others may be unable to move at all or may walk around and expose themselves in irrational ways to enemy fire. This is the behavior that can be expected with well-trained troops—troops who have undergone intensive combat training—crawled under machine-gun bullets and participated in maneuvers with artillery and mortar fire.

There is little reason to expect a higher percentage of rational behavior in a nuclear attack from the civilian population whose preparation for the experience could never approach anything like the intensive training given combat troops. This factor alone might reduce the number of people actually receiving protection from 50 million to below 10 million.

These limitations on human performance are every bit as real and unavoidable as the fallout that would accompany a nuclear ground burst and must be considered in any realistic evaluation of the effectiveness of a fallout shelter system.

Taken together, the above factors might easily reduce the 50 million the Defense Department expects to save with shelters down to a figure closer to 5 million. In addition, there are attack situations not considered in the Defense Department estimates in which fallout shelters would be completely useless. Examples are an attack in which an enemy exploded all or most of his nuclear bombs in the air rather than on the ground or an attack in which chemical or bacteriological agents were deliberately employed against the population.

In view of the serious questions as to the soundness of the Defense Department's claims for the effectiveness of a fallout shelter system, I would urge the committee to withhold its approval of the funds requested to provide fallout shelter spaces. There are too many things we need to spend money on that we are certain will be useful to risk investing public funds in a program of such dubious value.

(Appendix filed with the committee.)

CITY OF WINSTON-SALEM, N.C.,
August 7, 1962.

Hon. WARREN MAGNUSON,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SIR: The purpose of this letter to you is to ask that you give careful consideration to the President's proposal for civil defense, specifically with regard to providing matching funds for equipment and Federal support for shelters.

Without Federal help and support we see little or no likelihood of providing reasonable and necessary civil defense facilities.

We shall appreciate your consideration of these matters.

Sincerely yours,

JOHN R. SURRATT, *Mayor.*

RALEIGH-WAKE COUNTY CIVIL DEFENSE AGENCY,
Raleigh, N.C., August 3, 1962.

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SIR: The deletion of provisions of the civil defense budget for providing matching funds to local counties and communities for emergency operating centers and related essential civil defense equipment is a serious blow to the civil defense program in Raleigh and Wake County. Plans are underway for the construction of a city-county emergency control center in the Raleigh Memorial Auditorium with the use of Federal matching funds. This vitally essential project will not be realized without Federal assistance.

City-county officials and the citizens of Wake County join me in urging your committee to restore the vital items of the civil defense program pertaining to matching funds for emergency control centers, communications equipment, and rescue equipment.

Sincerely,

JOHN C. THORNE,
Colonel, U.S. Army (Retired).

STOKES COUNTY CIVIL DEFENSE AGENCY,
Walnut Cove, N.C., August 3, 1962.

Senator WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: The Stokes County Civil Defense Agency is in the process of completing its operational survival plan which we had hoped to get approved by the State civil defense agency and set up a complete civil defense organization in Stokes County.

However we have been informed by the State director, Mr. Edward F. Griffin, that a cut in funds which will be essential to us as a county organization has been cut or recommended for cutting and we as a new local governmental unit will be prevented from participating in the matching fund item, communication equipment, rescue equipment, etc.

May we urge you to do your best to restore these vital items to the program so that we may carry out a successful civil defense program in Stokes County.

Yours truly,

JAMES H. MITCHELL,
Stokes County Civil Defense Director.
RALPH R. MILLS,
Chairman of Stokes County Board of Commissioners.

CHARLOTTE-MECKLENBERG COUNTY,
OFFICE OF CIVIL DEFENSE,
Charlotte, N.C., August 3, 1962.

Senator WARREN G. MAGNUSON,
Appropriations Subcommittee,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: We have just been advised that the House of Representatives has reduced civil defense operations and maintenance funds from the recommended $126,245,000 to a total of $65 million. Also deleted was the matching funds item for "Hardware program," emergency operating centers, etc. In addition to the above no new funds were included for the "Shelter marking program" beyond January 1, 1963.

If the above funds are not restored, the civil defense organization throughout the Nation will be unable to carry on a well-rounded program, and this will mean that much of the value, which should result from the millions already spent, will be irrevocably lost.

We urge your committee to do everything possible to restore these vital appropriations, making it possible for the dedicated people in civil defense throughout the Nation to carry on and continue to expand this vital program.

Yours truly,

KENNETH D. WILLIAMS, *Director.*

DAVIS COUNTY CIVIL DEFENSE,
Farmington, Utah, August 3, 1962.

Hon. WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I sent you a telegram Saturday, and I am sending this letter by special delivery airmail because there is much more I would like to say than could be included in my telegram.

For a number of years, I have been county director here, and just about the time we get a good civil defense program started, somebody comes along and throws a monkey wrench in the machinery. The trouble, in my way of thinking, is that we have never had what you could call a definite goal to follow, and when we do get one started, it is suddenly changed, which throws our previous work into a "cocked hat."

I think this community shelter program is very good as far as it goes, but it covers shelter to be used by only a small part of the people. I have felt all along that our big program is to get every family under shelter with a protection factor that is necessary, and prepared for an emergency if it arises. The present medical self-help program is a most necessary addition to our civil defense, and we are encouraging it very much.

I do not urge that the Government should build a shelter for every family, but feel that all people should consider self-preservation of their own family first, which could very easily be done if we gave publicity and encouragement from the Government, that home shelters should be a must for every family.

It is my hope that in the very near future our civil defense will get underway with a definite program, without reversals every few months which not only lead people to losing faith in civil defense, but cause confusion, so that they wonder if anybody knows what should be done. It is most certainly discouraging to all those volunteer workers in civil defense. No wonder our people are in a state of confusion and complacency. I hope that you and your committee will give the most careful consideration to Assistant Secretary Pittman's appearance before your committee.

Sincerely yours,

B. M. ANDERSON,
County Civil Defense Director.

CITY OF WATERTOWN,
Watertown, Wis., August 7, 1962.

Senator MAGNUSON,
Chairman, Independent Offices Appropriations,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I am writing in regard to bill H.R. 12711 which is now before your committee.

The city of Watertown, in good faith, entered into an agreement with the Federal civil defense office for the construction of a control center in the proposed new city hall building. This agreement took place in the month of May. Phase 1 of the project application was approved by the Federal authorities and phase 2 was just about completed when the House voted to eliminate the $8 million that was earmarked for this type of shelter purpose. We have already committed ourselves, with approval of the Federal officials, to the architect and he has almost completed the plans for the building according to civil defense requirements. If this $8 million is not returned by Senate action, the city of Watertown will lose about $10,000, plus the loss of a great deal of time and effort. To bring the building up to civil defense requirements the cost would be $260,000 more than we had planned. We stood ready, and still do, to pay our share—50 percent—of this increased cost and in good faith we thought the Government would stand their respective share. To go back to our original idea would mean to scrap the almost complete plans and develop new ones; this is where the loss of time and money would take place. If we could continue with the project as planned, there would be no loss. The city council, at a meeting last night, decided to wait before scrapping the plans to see if the Senate would restore the $8 million.

It is my belief that the Federal Government should stand back of their departments' commitments and that we should not be required to suffer a loss that we cannot afford. Therefore, I urge you to support the restoration of the $8 million and/or any other funds that the Government has formerly committed themselves to. I am not asking for restoration of the $412 million, but only that which if not restored would cause undue hardship on this city or any other cities who are deeply involved in such a project.

R. P. WHITE,
Mayor of Watertown.

OFFICE OF THE GOVERNOR,
Madison, Wis., August 7, 1962.

SENATOR WARREN MAGNUSON,
Chairman, Senate Appropriations Subcommittee,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: I would appreciate your help in restoring the funds cut by the House from the Office of Civil Defense request for fiscal 1963. The major cut was some $460 million for the proposed shelter incentive program for schools and hospitals. I understand that this new program will not be funded until the Armed Services Committees have acted on the authorizing legislation, which may not be until early next session.

Other cuts, however, have the most serious impact on present as opposed to proposed future programs. As you know, an extensive program is now underway to identify, stock, and make usable shelter space in existing buildings. This worthwhile and inexpensive program has generated extensive workloads for local organizations, with the real impact beginning to be felt this spring and summer. In anticipation of this load, Wisconson cities and counties have been urged over the last year to expand their budgets, organizations, and effectiveness. They have responded by approximately tripling the number of effective organizations in the State, to over 40 counties and 25 municipalities.

This local expansion was made, however, in the expectation that Federal matching funds would be available for personnel and administrative expenses. These were cut by the House from the $18 million request to $12 million, last year's level, which will probably mean that a number of Wisconsin counties and

municipalities which this year expanded their budgets will be denied Federal matching fund aids. The effect would undoubtedly be to eliminate a number of the new local programs, and with them the ability to improve shelter space in existing buildings. Wisconsin's program, which over this last year has become one of the four best in the country, would be put back close to where it started.

I would, therefore, appreciate your help in restoring the P. & A. matching moneys to the $18 million level requested by Secretary McNamara.

Also, Watertown and Brown County have begun projects to install emergency operating centers (seats of government) in new public buildings. They committed time and money in fiscal 1962 in expectation that matching funds for such operating centers would be available in fiscal 1963. These funds were eliminated by the House. Watertown and Brown County will lose the funds already committed if the $8 million is not restored. I would, therefore, appreciate your help in restoring the $8 million requested by Secretary McNamara for emergency operating centers.

Sincerely yours,

GAYLORD A. NELSON, *Governor.*

WISCONSIN STATE AFL–CIO,
Milwaukee, Wis., August 6, 1962.

HON. WARREN MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I would like to request your help in restoring House cuts in Office of Civil Defense appropriation request for fiscal year 1963. The major cuts related to the proposed incentive grants for school and hospital shelter construction, but other cuts affect current programs.

The present program for identifying, marking, and stocking shelter space in existing buildings will be seriously affected if personnel and administrative matching aids are not restored by Senate action. Wisconsin counties and municipalities have counted heavily on these aids in expanding their own programs and will be in poor shape to bear their part of the load if these funds are not increased from previous $12 million level to near the $18 million request by Secretary Pittman for fiscal 1963.

I would appreciate your supporting the low-cost program to provide shelter in existing structures and request that funds to continue this worthwhile current project be restored by the Senate, including aids to local governments to help them fulfill their missions in the national shelter survey.

Sincerely yours,

JOHN W. SCHMITT,
Member of State Civil Defense Committee.

SEATTLE, WASH., *August 4, 1962.*

SENATOR WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Imperative you fight for restoration of civil defense appropriation that has been cut by the House. This is most essential to civil defense and the shelter program for schools, hospitals, institutions, and public buildings.

MRS. FRANCES M. GAMRATH,
Democratic State Committeewoman, King County, President Seventh Congressional Federated Democratic Women's Club.

TACOMA, WASH., *August 6, 1962.*

U.S. Senator WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.:

DEAR SENATOR MAGNUSON: Citizens on this part of west coast view extreme reductions in civil defense fund with alarm, hope you can help restore them.

Sincerely,

GEO. W. KUPKA, *State Senator.*

R. W. BECK & ASSOCIATES,
Seattle, Wash., August 6, 1962.

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.:

Urge you lend full support to restoration of Office of Civil Defense budget and administration's civil defense incentive program for construction of shelters in schools and other public institutions.

R. W. BECK,
Managing Partner.

SEATTLE, WASH., *August 4, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.:

Understand future of State civil defense in jeopardy from much too drastic House cut in Federal funds which are lifeblood of State civil defense. Vitally important to retain activities and public confidence that 1962 budget be more in line with 1962 appropriations. Association of Washington Cities heartily behind defense program also as a personal member of Governors Civil Defense Council much concerned that all effort possible be made toward more realistic civil defense budget. Sincerely appreciate anything you might do.

ASSOCIATION OF WASHINGTON CITIES.
CHESTER BIESEN.

SEATTLE, WASH., *August 4, 1962.*

Senator WARREN G. MAGNUSON,
Washington, D.C.:

Greatly alarmed at drastic House cut in Federal funds on Civil Defense; future of Washington State CD in jeopardy. Urgently request your full cooperation to retain activities and public confidence in CD. We appreciate very much your assistance in keeping 1963 appropriations on realistic basis.

TAK KUBOTA,
Member State CD Advisory Council.

BREMERTON, WASH., *August 2, 1962.*

Senator WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.:

Urge your immediate attention to cutback on civil defense appropriations. Will do much to destroy public confidence in this program in the State of Washington, and leave us exposed and unprepared for thermonuclear war.

FRANCIS HADDON MORGAN.

SEATTLE, WASH., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.:

As a member of Washington State Civil Defense Advisory Council I am vitally concerned that we secure restoration of substantial amounts of 1963 budget for Office of Civil Defense which was stricken by House. I note actual operations moneys for shelter program was stricken out, leaving only research money. We need action, not research, on a good shelter program.

JOE DAVIS,
President, Washington State Labor Council, AFL–CIO.

SPOKANE, WASH., *August 2, 1962.*

WARREN G. MAGNUSON,
Washington, D.C.:

Urge House cut on OCD budget be reviewed and reinstated if at all possible. If budget remains as is it will have drastic effect on the civil-defense program.

CLYDE H. FRIEND,
Director of Civil Defense of Spokane; President-elect, U.S. Civil Defense Council.

OKANOGAN, WASH., *August 2, 1962.*

Hon. WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

We strongly urge the Senate to give favorable consideration to President Kennedy's bill regarding his national fallout shelter program.

HARRY RASMUSSEN,
Okanogan County Civil Defense Director.

SHELTON, WASH., *August 2, 1962.*

Senator WARREN G. MAGNUSON,
Senate Building, Washington, D.C.:

Suggest appropriation for shelter program be favorably considered. In event of denial serious adverse comment would result.

HARRY CALON,
Director, Meson County Civil Defense.

WILBUR, WASH., *August 2, 1962.*

Hon. Senator WARREN MAGNUSON,
Old Senate Office Building, Washington, D.C.:

We in Lincoln County urgently request you do all in your power to have House cuts in OCD budget reinstated in line with request and recommendation of President Kennedy. This cut will do serious damage to current civil defense effort throughout country.

Respectfully yours,

VERN ST. JOHN, *Mayor.*

CLE ELUM, WASH., *August 4, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

House cut in Federal funds for civil defense leaves State civil defense project in jeopardy. I believe most officials and leaders know why we must retain and improve our civil defense. Please use your influence in getting 1963 budget in line with 1962. World tension has not lessened.

SAM E. TALERICO,
Treasurer, Kittitas County-State Civil Defense Council.

SPOKANE, WASH., *August 6, 1962.*

Hon. WARREN G. MAGNUSON,
Old Senate Office Building, Washington, D.C.:

Office of Civil Defense appropriation certainly should not be less than the minimum program of past year. We in Spokane appreciate the splendid cooperation shown thus far. Please give consideration.

HENRY B. NABERS,
City Manager.

SPOKANE, WASH., *August 2, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.:

Unless recent cut in civil defense budget items is restored, it will have drastic effect on civil defense effort in the Spokane area.

C. J. CHAFFINS,
Director of Civil Defense, Spokane County.

MONTESANO, WASH., *August 3, 1962.*

WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.:

This is to assure you that the majority of the people in Grays Harbor expect the Government to provide community shelter protection. The building owners are volunteering their buildings and are expecting affirmative action in Congress now. If this program is not carried out now you can expect their support late. If the Senators do not pass this budget now it may later prove that they are not interested in the people's welfare.

Yours truly,

ROGER MCCREA,
Civil Defense, Grays Harbor County.

CHEHALIS, WASH., *August 3, 1962.*

Hon. WARREN MAGNUSON,
Senate Office Building,
Washington, D.C.:

Your influence to help restore President Kennedy's civil defense budget when it is presented to the Senate is vital. Its effect will be felt throughout this county. A nationwide shelter program is not only an act of humanity but a valuable deterrent to aggression itself.

PHILLIP A. ROEWE,
Deputy Director of Lewis County Civil Defense.

WENATCHEE, WASH., *August 1, 1962.*

Hon. Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

We ask that you do all in your power to assure that the civil defense appropriation now before the Senate is approved. If passage of this appropriation should fail it would be exceedingly detrimental to the security of our country; could serve a severe setback to a very necessary defense program.

JACK W. HARRINGTON,
Civil Defense Director, Chelan County.

EVERETT, WASH., *August 1, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Respectfully request you urge reconsideration of proposed President's civil defense budget. Curtailment of civil defense program Snohomish County will be greatly curtailed.

WILBERT A. CROSS,
Director, Snohomish County Civil Defense.

KELSO, WASH., *August 1, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

May we have your cooperation in requesting action to restore at least large portion of President's $568 million request to launch fallout shelter program. Not only do we in civil defense realize the importance to the Nation of the President's recommendation, but the turndown also results in disastrous situation, a slap in the face, in the very worthwhile civil defense effort in which so many are giving talent, time, and effort for the protection of our Nation. Public confidence in civil defense is threatened by Tuesday's congressional action. Your influence in action requested herein is earnestly solicited.

R. M. ANDERSON,
Director, Cowlitz County Civil Defense.

OLYMPIA, WASH., *August 1, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate Office Building, Washington, D.C.:

Civil defense budget cut by House much too drastic. Vitally important 1962 budget be more in line with 1962 appropriations. Urge you act for restoration of funds in line with President's budget. Request strings attached to $10 million Shelton research funds be eliminated.

E. M. LLEWELLYN,
Director, State Civil Defense.

OLYMPIA, WASH., *August 2, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington D.C.:

Will appreciate support of the $3 million item for grant to the State for post-attack planning in connection with the comprehensive program for survival of government and management of resource. This item is in the Office of Emergency Planning budget request in the independent offices appropriation bill.
Regards.

Gov. ALBERT D. ROSSELLINI.

GENEVA, ALA., *August 3, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman Senate Appropriations Subcommittee,
Senate Office Building, Washington, D.C.

Federal civil defense funds imperative if we are to continue and expand program in our area. Respectfully request you endeavor have restored all appropriation cuts for civil defense that were adopted by the House. Geneva County program will suffer materially without the funds requested. Your support to restore deleted funds will be greatly appreciated.

RALPH P. WEEK,
Coordinator, Geneva County Civil Defense Corps.

GENEVA, ALA., *August 3, 1962.*

Hon WARREN G. MAGNUSON,
Chairman, Senate Appropriations Subcommittee,
Senate Office Building, Washington, D.C.:

Local municipal efforts in civil defense program bordering on radical retrenchment without further assistance to program by Federal Government. It is imperative that funds contained in original proposal, drastically reduced by House, be reinstated. Our municipality unable to shoulder more than half cost and your efforts to have funds reinstated will be greatly appreciated.

WILBUR PRIDGEN,
Mayor, City of Geneva.

SELMA, ALA., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Earnestly urge your active and full support and influence for passage of appropriation of civil defense shelter program funds as requested by the President.

CHRIS B. HEINZ, *Mayor of Selma.*
BERNARD A. REYNOLDS, *Probate Judge.*
GEORGE B. QUARLES, *Director.*

BIRMINGHAM, ALA., *August 3, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Senate Appropriations Subcommittee,
Senate Office Building, Washington, D.C.:

It has come to my attention that a portion of civil defense funds necessary for the continued expansion of this very important program has been deleted in the House conference by the Thomas subcommittee. As one of the county commissioners of Jefferson County, Ala., and cochairman of the Birmingham-Jefferson County, Civil Defense Corps I respectfully seek your assistance and influence in restoration of these funds so essential to this great project.

THOMAS B. PINSON,
Commissioner, Jefferson County, Ala.

BIRMINGHAM, ALA., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Chairman, Senate Appropriation Subcommittee,
Senate Office Building, Washington, D.C.:

Have just been informed that a portion of civil defense funds essential to the continued expansion of this very important program has been deleted in the House conference by the Thomas subcommittee. As mayor of city of Birmingham and general chairman of Birmingham-Jefferson County civil defense I urge your assistance and influence of your high office in restoration of these funds so essential to our national civilian survival training project.

ARTHUR J. HANES,
Mayor.

TUSCALOOSA, ALA., *August 4, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Senate Subcommittee on Civil Defense Appropriation,
Senate Office Building, Washington, D.C.:

Respectfully urge restoration of funds which Congressman Thomas' subcommittee recommended cut from civil defense budget. Federal aid is urgently needed if we are to support our folks in civil defense now.

RUFUS T. STRICKLAND,
Coordinator-Director, Tuscaloosa County Civil Defense Corps.

MONTGOMERY, ALA., *August 2, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices Appropriation, Senate Committee on Appropriations, Senate Office Building, Washington, D.C.

Urge your favorable consideration on restoring administration request for appropriations for the Office of Civil Defense, Department of Defense. Understand that H.R. 12711 as passed by the House dealt destructive blow to civil defense program. This department has assumed responsibility for civil defense welfare services. We cannot adequately discharge these obligations without requested Federal appropriations.

ALVIN T. PRESTWOOD,
Commissioner, Alabama State Department of Pensions and Security.

BIRMINGHAM, ALA.,
August 2, 1962.

Senator WARREN G. MAGNUSON,
Chairman, Senate Appropriations Subcommittee,
Senate Office Building, Washington, D.C.:

As the immediate past president of the Alabama Civil Defense Association of Local Directors, it is urgently requested that restoration by your subcommittee on all proposed appropriations for civil defense that were deleted by House conference in the Thomas subcommittee report proposed funds essential to properly continue an expansion of a developed civil defense program emergency operations incentive to survival of the people will be greatly reduced and untold damage inflicted on the overall civil defense program. Without these funds Federal programing to date incorporated in State and local operations is the basic cause for existing precarious conditions making it almost impossible to adopt retrenchment that will become mandatory if funds not provided. Your cooperation and assistance in restoring these funds will merit commendation for you and your committee throughout this country.

U. N. JAMES.

PHENIX CITY, ALA.,
August 2, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: I am genuinely alarmed at reports of action turning down the national fallout shelter program and jeopardizing the entire program for civil defense activities. The funds requested by President Kennedy and Secretary of Defense McNamara to build a strong nonmilitary defense are vital to the actual survival of our Nation. Please use your influence in support of Secretary Pittman's plea for restoration of all funds requested for civil defense programs.

Sincerely yours,

OTIS W. TAFF,
Chairman, Russell County Commission.

PHENIX CITY, ALA., *August 2, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senator, Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I am genuinely alarmed at reports of action turning down the national fallout shelter program and jeopardizing the entire program for civil defense activities. The funds requested by President Kennedy and Secretary of Defense McNamara to build a strong nonmilitary defense are vital to the actual survival of our Nation. Please use your influence in support of Secretary Pittman's plea for restoration of all funds requested for civil defense programs.

Sincerely yours,

LUCIAN BROWN,
Civil Defense Director.

PHENIX CITY, ALA., *August 2, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senator, Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I am genuinely alarmed at reports of action turning down the national fallout shelter program and jeopardizing the entire program for civil defense activities. The funds requested by President Kennedy and Secretary of Defense McNamara to build a strong nonmilitary defense are vital to the actual survival of our Nation. Please use your influence in support of Secretary Pittman's plea for restoration of all funds requested for civil defense programs.

Sincerely your,

JOHN W. BARBEE,
Mayor, City of Phenix City, Ala.

MONTGOMERY, ALA., *August 1, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Senate Appropriations Subcommittee,
Senate Office Building, Washington, D.C.:

Urgently request restoration by your subcommittee of proposed appropriations for civil defense that were deleted by House concurrence in the Thomas subcommittee report. Proposed funds essential to proper continuance and expansion of developed civil defense program. Emergency operations incident to survival of the people will be greatly reduced and untold damage inflicted on the overall civil defense program without these funds. Federal programing to date incorporated in State and local operations basic cause for existing precarious conditions making it almost impossible to adopt retrenchment that will become mandatory if funds not provided. Your cooperation and assistance in restoring these funds will merit commendation for you and your committee throughout this country.

BOBBY J. BLALOCK,
Director, Civil Defense Department,
State of Alabama.

ANCHORAGE, ALASKA, *August 6, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.:

Congressman Thomas' subcommittee report on civil defense budget will affect all civil defense programs in Alaska, including all contributions. Request that you oppose this report.

JOHN I. DISNEY,
Assistant State Director, Civil Defense, Alaska.

SACRAMENTO, CALIF., *August 6, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman of Subcommittee on Appropriations,
Senate Office Building, Washington. D.C.:

My radiological defense advisory committee has informed me regarding the urgency of the matter now pending before your committee concerning appropriation for continuation of the civil defense shelter program. I strongly urge your committee to restore this appropriation to the level recommended by President Kennedy.

EDMUND G. BROWN, *Governor.*

SACRAMENTO, CALIF., *August 3, 1962.*

Senator WARREN MAGNUSON,
Senate Office Building, Washington, D.C.:

For protection of civilian population, we urge immediate favorable action on legislation for nationwide community shelter program. Survival Advocates Associated is a group of citizens advocating preparedness for survival and recovery in case of national emergency.

JAMES D. WALSH,
President, Survival Advocates Associated.

SACRAMENTO, CALIF., *August 1, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.:

Congressman Thomas' subcommittee report on civil defense budget could seriously affect the President's civil defense program. Curtailment of existing shelter survey funds will cause havoc with heavily involved local government and business community leaders. Recommend funds to complete the national fallout shelter survey, marking, and stocking program, and at last minimum financial support of shelter incentive program.

ALLAN K. JONAS,
Director, California Disaster Office.

COCOA, FLA., *August 3, 1962.*

Senator MAGNUSON,
U.S. Senate, Washington, D.C.:

We would greatly appreciate your assistance in restoring cuts in civil defense funds in order to carry on work. Civil defense very necessary in Brevard County, as well as the whole country.

SAM AND EMY HARPER.

COCOA, FLA., *August 3, 1962.*

Senator MAGNUSON,
U.S. Senate, Washington, D.C.:

Please do everything possible to aid our civil defense program by voting funds to carry on the work. The drastic cut approved by House subcommittee will nullify our program. You help is urgently requested.

Kindest regards.

LOUISE C. GIBBONS,
Director, Brevard County Civil Defense.

MELBOURNE, FLA., *August 3, 1962.*

Senator WARREN MAGNUSON,
Washington, D.C.:

Request your aid and support of the President's civil defense program. I do not believe the time to cancel an insurance policy is while the patient is still sick.

Yours sincerely,

FRANK WOLCOTT.

SALINA, KANS., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

In order that this country may survive and recover after a nuclear attack, please support President Kennedy's and Secretary Pittman's recommendations for civil defense.

Mrs. A. MARIE WEBB,
President, Kansas State Civil Defense Council of Directors.

COCOA, FLA., *August 3, 1962.*

Senator MAGNUSON,
U.S. Senate, Washington, D.C.:

Please do everything you can to restore cuts in civil defense funds. We need your help to carry on this urgent work.

BILL J. WOOD, *Automotive Auto Parts.*

ATLANTA, GA., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Urge your support of Secretary' Pittman's request for restoration of funds for civil defense.

ORIS H. STEPHENS, JR.,
Mayor, East Point, Ga.

COLUMBUS, GA., *August 3, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: I urgently request support of the civil defense budget for 1963. The funds for shelter program are vital. I urge your committee to restore entire amount deleted from civil defense budget by House action. The money required by Office of Civil Defense is essential.

D. L. MEADOWS,
Chairman, Columbus Muscogee County Civil Defense Council.

COLUMBUS, GA., *August 3, 1962.*

Hon. HERMAN EUGENE TALMADGE,
U.S. Senate, Senate Building,
Washington, D.C.

DEAR SENATOR TALMADGE: I have just wired Senator Magnuson, chairman of the Senate Subcommittee on Appropriations, urging that his committee restore the entire amount deleted from the civil defense budget for 1963 by House action.

I understand that Secretary Pittman goes before Senator Magnuson's committee on Monday, August 6, to ask for restoration. Request your cooperation and assistance in seeking retsoration of these funds which are essential. Continued public interest and support of the civil defense program at the local level requires strong indication of support in the U.S. Congress.

D. L. MEADOWS,
Chairman, Columbus Muscogee County Civil Defense Council.

HONOLULU, HAWAII, *August 1, 1962.*

SENATOR WARREN MAGNUSON,
Washington, D.C.:

We strongly support budget Department of Defense/Civil Defense which permit completion of national fallout shelter survey and stocking program as well as funding for shelter incentive program.

W. M. BOWMAN,
Acting Director, Hawaii Civil Defense Division.

HONOLULU, HAWAII, *August 3, 1962.*

Senator WARREN MAGNUSON,
Washington, D.C.:

Strongly urge support of budget Department of Defense-Civil Defense to permit completion of national shelter program as well as funding for shelter incentive program. House action leaves States and cities to carry burden of program started by Federal Government. Federal leadership essential for program to protect civilian population.

NEAL S. BLAISDELL,
Mayor of Honolulu.

HONOLULU, HAWAII, *August 3, 1962.*

Hon. WARREN MAGNUSON,
U.S. Senator,
Washington, D.C.:

Hawaii vitally interested in completion of national shelter program. Our civil defense activities progressing but Federal guidance and assistance essential to success of civil defense program.

WILLIAM F. QUINN,
Governor of Hawaii.

LEWISTON, IDAHO, *August 6, 1962.*

Hon. WARREN MAGNUSON,
U.S. Senator,
Washington, D.C.:

The Nez Perce County Board of Commissioners believing the civil defense program to be indispensable to the protection of the life and liberty of this Nation; strongly urges the restoration of Secretary Pittman's budget request.

OTTO BRAMMER,
Chairman.

LEWISTON, IDAHO, *August 6, 1962.*

Hon. WARREN MAGNUSON,
U.S. Senator, Washington, D.C.:

The Nez Perce County Democratic Central Committee believing that President Kennedy's national civil defense program to be vital to the public interest and to the survival of this Nation; respectfully requests that favorable consideration be given to Secretary Pittman's plea for the restoration of the budget request for civil defense.

TOM W. BOISE, *State Committeeman.*
JOE NICHOLSON, *Chairman,*

DES MOINES, IOWA, *August 4, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

The Iowa Civil Defense Administration unanimously supports the position of Assistant Secretary of Defense, Office of Civil Defense, regarding the unjustifiable cuts in the civil defense appropriation for 1963 made by the appropriations committee for the House of Representatives stopping a vital defense program in midcourse jeopardizing the defense and security of the American people. We sincerely recommend that your committee return to the civil defense budget those moneys requested by the Office of Civil Defense as presented by Secretary Pittman.

RAY C. STILES,
Director, Iowa Civil Defense Administration.

MINNEAPOLIS, MINN., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

As a municipal civil defense director I urge you to support the restoration of Defense Department's recommended civil defense budget appropriation. In order to carry out an effective civil defense program on the State and municipal level this budget should be adopted. Your support on this action will assist in developing total responsibility for the survival of our citizens throughout the United States.

RAY T. OLSON,
Director, Bloomington Civil Defense.

MINNEAPOLIS, MINN., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Department of Civil Defense,
Washington, D.C.

DEAR SENATOR: Request your leadership and support for restoration of civil defense budget as presented by Department of Defense.

WALLY CARYL,
Director of Civil Defense, Village of Golden Valley, and City of Robbinsdale.

MINNEAPOLIS, MINN., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

As a municipal and county civil defense director, I urge you to support the restoration of Defense Department recommended civil defense budget appropriation. In order to carry out a complete civil defense program on the State and local level, this budget should be adopted. Your support on this action will assist in developing the total responsibility for the survival of our citizens throughout the United States.

WALTER P. HALSTEAD,
Director, Minneapolis, Hennepin County Office of Civil Defense.

AUSTIN, MINN., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Chamber,
Washington, D.C.:

If civil defense is to mean anything in this country, we need P and A funds to support it. If civil defense is going to develop a practical shelter capability, the Federal Office of Civil Defense must have funds to carry out the program. We in the hinterland are working at considerable odds to keep people thinking about civil defense. You work for civil defense—so will I.

R. R. ROACH,
Mower County Civil Defense Director.

JOPLIN, MO., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Washington, D.C.:

Please support restoration of the civil defense budget appropriation by Mr. Pittman. This is essential.

Presiding Judge J. BYRON FLY,
Jasper County Court.

JOPLIN, MO., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Washington, D.C.:

We urge you to support Secretary Pittman's recommendation in regards to the civil defense budget appropriation.

Mayor C. C. HAYNES.

JOPLIN, MO., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Washington, D.C.:

Without restoration of the civil defense budget appropriations, several years of our work is wasted plus jeopardizing the home defense of our country. Please help us with your support.

LEA KUNGLE,
State Representative, Missouri U.S. Civil Defense Council.

COLUMBUS, NEBR., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Urgent you lend full support to restoration of Office of Civil Defense budget and administration's civil defense incentive program for construction of shelters in schools and other public institutions.

R. W. BECK,
Managing Partner, R. W. Beck & Associates, Seattle, Wash.

CARSON CITY, NEV., *August 2, 1962.*

Hon. WARREN MAGNUSON,
U.S. Senator From Washington,
U.S. Senate Office building, Washington, D.C.:

I urge you to support Department of Defense budget for civil defense, permitting completion of national fallout shelter survey marking and stocking program, as well as minimum funding for shelter incentive program, together with adequate budget for other civil defense operating costs.

CLAUDE U. SHIPLEY,
Director, Nevada State Civil Defense Agency.

WINSTON-SALEM, N.C., *August 6, 1962.*

Hon. WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Would appreciate your action in accomplishing restoration of 1963 funds for civil defense operations and maintenance recently cut by House. Consider imperative the continuation of emergency equipment matching funds and shelter marking and stocking program.

FRANK W. DECKER,
Chairman, Advisory Council, Western Electric Co.

LEXINGTON, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Request that your committee restore the vital items to our civil defense program which were deleted by the House of Representatives July 30.

DAVIDSON COUNTY CIVIL DEFENSE.

FAYETTEVILLE, N.C., *August 3, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR MR. MAGNUSON: Deeply shocked action of House on civil defense budget. Responsible heads, my large community, approved without question civil defense budget calling for increase of 126 percent over last year. Sincerely and respectfully urge you do all in your power toward passage original civil defense budget. No personal ax to grind having been civil defense director at monthly salary $100 for years. Please protect our citizens.

COL. HANS CHRISTIAN LARSEN,
Director, Fayetteville Cumberland County Civil Defense Agency.

WHITEVILLE, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Requesting that you and your committee restore funds for vital items to our civil defense program which were deleted.

L. R. WAYNE,
Director, North Carolina Columbus County Civil Defense.

DURHAM, N.C., *August 3, 1962.*

Senator WARREN B. MAGNUSON,
Senate Office Building, Washington, D.C.:

Hope full budget for civil defense can be restored. Feel this phase of our defense is as important a deterrent as any other military expenditure for the Army. Proper civil defense takes a long time to get ready and we cannot afford to take a year off while our enemy temporarily relaxes.

MAYOR E. J. EVANS.

WINSTON-SALEM, N.C., *August 3, 1962.*

Senator WARREN B. MAGNUSON,
Senate Office Building, Washington, D.C.:

Urge your favorable action in restoration of $60 million cut from civil defense budget by House of Representatives. These funds are required for communications, rescue, and other vital equipment, plus emergency operating centers, personnel, and administration, and continuation of public shelter marking and equipping.

HAMILTON W. HOWE,
Director of Civil Defense.

WILSON, N.C., *August 4, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Frankly I am very disappointed that the House of Representatives cut the civil defense appropriations so severely. As a part time local civil defense director most of my accomplishments have been on a volunteer basis. My volunteer workers have expected a program that will not be possible by the deletion of matching funds. This is particularly true in the area of communications and rescue programs which are most beneficial in natural emergencies as well as a nuclear attack. Your support in reinstating these funds through the Appropriations Subcommittee would be appreciated.

JAMES E. ELLIS.
Second Wilson County Defense Director.

WINSTON-SALEM, N.C., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Do not cut civil defense appropriations. It keeps citizens aware of Russian attack.

JANET BLUM SEIPPEL,
President, UDC.

ROANOKE RAPIDS, N.C., *August 3, 1962.*

Hon. WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR: We urge that every effort possible be made to restore the cut of civil defense funds for 1963 made by the House of Representatives of Appropriations Committee. The cut precludes many areas of effort so vital to a well-rounded civil defense program.

CARL E. PEEBLES.

CANTON, N.C., *August 4, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR: Any decrease in funds for the civil defense program would certainly be a hazard for the Government program of civil defense.

MORRIS MITCHELL,
Director of Civil Defense, Canton, N.C.

SALISBURY, N.C., *August 3, 1962.*

Senator WARREN MAGNUSON,
Chairman, Committee on Appropriations,
Senate Office Building, Washington, D.C.:

We are deeply hurt over the news of the House of Representatives reducing the 1963 funds for civil defense operations to $65 million. We of the Rowan County civil defense agency, Salisbury, N.C., urge you and members of your committee to restore the money needed to carry on the vital civil defense work. Local governments cannot and should not be expected to bear the full expense of an adequate civil defense program.

WILLIAM J. WYATT,
Director of Rowan County Civil Defense Agency.

ELKIN, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

We strongly urge that your committee restore the vital items to the civil defense program which were deleted by the House. The civil defense program urgently needs these items to continue operations.

ROY H. KANE,
President, North Carolina Civil Defense Association.

EDENTON, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Please be informed that I feel civil defense is vital to our future well-being. I am in favor of expanding the program rather than cutting off much-needed appropriations as many who are ignorant of the implications and hazards are advocating. Please act to restore these necessary funds.

GEORGE E. BURDICK.

EDENTON, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

The action taken by the House Appropriations Committee July 27 regarding proposed civil defense budget for fiscal year 1963 was a severe blow to the survival planning for the Nation. In view of continuing world tension I sincerely urge all effort to restore these much-needed funds to continue a progressive civil defense program.

MURRAY D. ASHLEY.

FAYETTEVILLE, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Urgently request serious consideration for the passage of the original civil defense budget. Our local budget for civil defense has been increased over 100 percent and we need Federal leadership in this serious matter.

ROBERT H. BUTLER, *Mayor.*

BREVARD, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Chairman, Appropriations Subcommittee,
Senate Office Building, Washington, D.C.:

Urge your committee vote favorably to restore matching funds for hardware program, emergency operating centers, shelters, marking, and stocking program.

F. L. (BUCK) MCCALL,
Director, Transylvania County Civil Defense.

NEWBERN, N.C., *August 3, 1692.*

Hon. WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Unless we plan to eliminate civil defense entirely, we feel imperative continue personnel administrative and hardware programs for fiscal 1963. We feel civil defense now removed from scare basis is making stable progress. Request your committee recommend restoration of original $126,245,000 for operation and maintenance.

W. J. EDWARDS,
Director, Civil Defense, Craven County, N.C.

DURHAM, N.C.,
August 3, 1962.

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.:

Recent House action on national civil defense program is detrimental to the defense of this Nation. Citizens of this area urge your committee to restore requests as made by Department of Defense so that all citizens may have the defense they are entitled to.

GEORGE F. KIRKLAND,
Chairman, Board of County Commissioners,
Durham County, N.C.

ROCKY MOUNT, N.C.,
August 3, 1962.

Senator WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.:

The effectiveness of local civil defense programs will be seriously reduced as a result of the action by the House of Representatives in cutting the civil defense appropriation. The items deleted are necessary for a well-rounded civil defense program. Request that your appropriation subcommittee restore the items and funds deleted by the action of the House.

ELMER R. DANIEL,
Director, Edgecombe-Nash Civil Defense Agency.

WINSTON-SALEM, N.C., *August 4, 1962.*

Senator WARREN G. MAGNUSON,
Senate Building,
Washington, D.C.:

North Carolina Daughters of American Revolution ask that all civil funds as original restored. Our own national life and safety depends on information and education upon preparedness and protection. Therefore we urge this restoration of funds. With real confidence in you.

ELIZABETH FEARRINGTON CROM,
North Carolina State DAR Civil Defense Chairman.

BURGAW, N.C., *August 4, 1962.*

WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Civil defense program in this county is in process of reorganizing. Active countywide rescue squad and emergency unit is being formed. Proposed cut in civil defense appropriation when projected nationwide could seriously hamper efforts in this area. Strongly urge your support of original recommendation particularly the matching-fund item for the acquisition of communication and rescue equipment. Civil defense plays important peacetime role in this coastal area; proximity to Camp Lejeune, Fort Bragg, and Seymour Johnson Field add further significance in event of war or near war.

R. R. DEES,
Captain, Penfer County Rescue Squad.
Dr. JOHN T. DEES,
Chairman, Pender County Democrat Executive Committee.

JACKSONVILLE, N.C., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.

HONORABLE SIR: The mayor and council of the city of Jacksonville, N.C., and the board of commissioners of Onslow County, N.C., urge you to use your influence in restoring the fund cut from the 1963 budgetary request for civil defense operation and maintenance.

W. TOM COX,
City Manager.

WINSTON-SALEM, N.C., *August 5, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

On behalf of hundreds of Winston-Salem citizens spending thousands of hours working with civil defense for survival in nuclear disaster, strongly urge restoration vital funds cut for civil defense program. Please give millions for protection of 180 million Americans priority over billions for foreign aid, especially that going to Communist countries.

WOMEN'S CIVILIAN DEFENSE COUNCIL.

SALISBURY, N.C., *August 2, 1962.*

Senator WARREN MAGNUSON,
Chairman, Committee on Appropriations,
Senate Office Building, Washington, D.C.:

We are greatly disturbed by the news that the House approved a bill reducing the civil defense appropriation from the requested $126,245,000, to the unbelievably low figure of $65 million. This would cripple every phase of the civil defense program, including the completion of the national shelter plan. Local government cannot and should not be expected to bear the full cost of an adequate civil defense program.

We urge you and the members of the Senate who will consider this appropriation to carefully weigh the inevitable results before reducing the funds needed to implement a sound, realistic civil defense program. If the request is reduced as in the House bill, the end result could be disastrous to our country.

CHARLES L. LINEBACK,
President, North Carolina League of Municipalities.

SANFORD, N.C., *August 2, 1962.*

Senator WARREN G. MAGNUSON,
Chairman, Senate Appropriations Committee,
Senate Office Building, Washington, D.C.:

I wish to support Secretary Pittman's request that the cut of Office of Civil Defense requested funds be restored.

L. L. BECKHAM,
Second Vice President, North Carolina Civil Defense Association.

GOLDSBORO, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Chairman, Appropriations Subcommittee for Civil Defense,
Senate Office Building, Washington, D.C.:

It is imperative that have a strong and realistic civil defense throughout our country. We urge that your subcommittee and the Senate restore the funds for that portion of the program which were deleted in the House of Representatives. Civil defense serves as a deterrent against aggression and enhances our overall military posture.

CLAUDE H. IRBY,
Director, Wayne County Civil Defense.

DURHAM, N.C., *August 3, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

The staff and volunteers of Durham and Durham County Civil Defense Agency, Durham, N.C., earnestly request that you restore those vital items that have been deleted from the appropriations bill when this matter comes up for hearing before your committee in the Senate Monday, August 6. Without these funds the civil defense program will be badly crippled and much hard-earned ground may be lost. We desperately need your help to enable us to carry on the program you have delegated to us.

LEE C. GOODWIN, *Director.*

GREENSBORO, N.C., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Chairman, Senate Appropriations Committee, Washington, D.C.:

Request your committee support Secretary Pittman's request for restoration of civil defense operational funds, fiscal year 1963 deleted in House version. Civil defense to be meaningful must have full governmental support.

McGOUGH,
Director, Greensboro, Guilford County, Civil Defense Agency.

CHARLESTON, S.C., *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

We who live in an area of this Nation where by reason of terrain and building characteristics fallout protection is at a minimum urge that you give favorable consideration to a reasonable continuing development of such protection under Federal leadership. Further we urge that Congress continue to provide the matching funds for local civil defense personnel administration and equipment which has been the major factor in our recent growth to an effective capability for saving thousands of lives in natural disasters.

SOUTH CAROLINA ASSOCIATION OF CIVIL DEFENSE DIRECTORS,
E. J. DILLON, *President.*

HARRIMAN, TENN., *August 4, 1962.*

Senator WARREN G. MAGNUSON,
Chairman, Senate Subcommittee on Civil Defense, Washington, D.C.:

I urge you to recommend favorable action on Secretary Pittman's plea for restoration of civil defense funds. The loss of these funds will sound the death knell for civil defense at all levels. The need for civil defense is greater now than ever before. A firm stand by the Federal Government, supporting civil defense, will provide a needed boost at the State and local levels.

JOHN C. GOWER,
Secretary, Region 111, U.S. Civil Defense, Kingston, Tenn.

EL PASO, TEX., *August 3, 1962.*

WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.:

It is my understanding that Mr. Pittman of the Defense Department will appear before your committee August 6, 1962, seeking funds for civil defense purposes. Much progress has been made throughout El Paso County the past year in all phases of civil defense. After several years of stagnation the program is back on its feet. On behalf of all local government officials I strongly urge that you favorably consider the request for civil defense funds in order that we may carry on this worthwhile program.

A. E. SNYDER,
Director, El Paso City-County Civil Defense.

SALT LAKE CITY, UTAH, *August 4, 1962.*

Hon. WARREN MAGNUSON,
Senate Office Building,
Washington, D.C.:

Congressman Thomas' committee report on civil defense budget put a very sad note on our county civil defense program. Our Utah Governor and this county commission are back of civil defense and feel it a most necessary part of our national defense and protection. All these reversals of policy are very detrimental. We hope a definite program can be set up and that will eliminate the confusion in people's minds as to what civil defense stands for.

We sincerely hope your committee will give careful consideration to Assistant Secretary Pittman's appearance.

DAVIS COUNTY, UTAH, COMMISSIONERS.

OGDEN, UTAH, *August 3, 1962.*

Senator MAGNUSON,
Senate Office Building, Washington, D.C.:

The delay in congressional approval of civil defense programs and budgets is a matter of grave concern to everyone in this area. We, the Weber County Democratic Central Committee, desire to go on record supporting to the utmost Secretary Pittman in his plea.

To your committee to give favorable consideration to his program.

CALVIN GOULD, *Chairman.*

SALT LAKE CITY, UTAH, *August 4, 1962.*

Hon. WARREN MAGNUSON,
Senate Office Building, Washington, D.C.:

Congressman Thomas' subcommittee report on civil defense budget put a very sad adverse effect on our county civil defense program. Our Governor and our Davis County commissioners are back of civil defense and we hope some definite program can be set up. These pro and con actions surely confuse and continually kill the good work of civil defense organizations. It leaves the question, "Does anyone know what they are doing?" This action has surely been confusing and discouraging to all our workers in civil defense. What we need is a publicity program that our people can have confidence and depend upon. A most careful consideration we hope will be given Secretary Pittman's appearance before your committee.

B. M. ANDERSON,
Davis County, Utah, Civil Defense Director.

OGDEN, UTAH, *August 6, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

Concerned about proposed cut in civil defense appropriations. Groundwork has been laid in Utah schools for use of incentive program moneys to strengthen existing buildings and build underground shelter areas for our children. Also to implement proposed adult education program NCD. Please support Secretary Pittman's request.

Mrs. BERNARD L. CRAGUN,
Director, Region 3, Utah State Congress of Parents and Teachers.

GREEN BAY, WIS., *August 6, 1962.*

WARREN MAGNUSON,
U.S. Senate, Washington, D.C.:

Most urgently request your support of Secretary Pittman's civil defense program. We cannot build survival capability overnight and must start now.

ARTHUR E. NORGAARD,
Director, Brown County Civil Defense.

MADISON, WIS., *August 6, 1962.*

Hon. WARREN MAGNUSON,
Senate Office Building, Washington, D.C.:

DEAR SENATOR MAGNUSON: The House recently cut Office of Civil Defense request for fiscal 1963 by some 90 percent. Proposed shelter incentive program for schools and hospitals was eliminated.

Funds to continue present program for surveying, marking, and stocking shelter in existing buildings were also cut. Most critical cut from standpoint of counties and municipalities was in personnel and administrative expense matching funds, cut by House from $18 million request to fiscal year 1962 level of $12. Over 40 Wisconsin counties and 25 municipalities have this year sharply expanded civil defense budgets and greatly increased effectiveness of staffs, to cope with sharply increased local duties imposed by current program to survey and stock usable shelter in existing buildings. (The program is independent of proposed school-hospital incentive program.)

Local budget increases were made in reliance of Federal matching aid in fiscal year 1963. If personnel and administrative matching funds are not available at $15 to $18 million level requested by Secretary McNamara and Assistant Secretary Pittman, county boards and city councils will feel betrayed and cut back own programs. Potential to save 3 to 4 million lives in Wisconsin, in possible time of need, may thereby be largely lost.

Would therefore deeply appreciate your support to restore at least personnel and administrative matching fund cuts to $15 to $18 million level, from House $12 million, also other ongoing programs requested by Assistant Secretary Pittman. Personnel and administrative funds matter in particular is of fundamental importance to Wisconsin and U.S. counties and cities.

Sincerely,

W. K. CHIPMAN,
Director, Wisconsin Civil Defense Bureau.

MADISON, WIS., *August 5, 1962.*

Hon. WARREN MAGNUSON,
Senate Office Building, Washington, D.C.:

Madison Civil Defense Commission deeply concerned about national civil defense program budget recommendations of Secretary Pittman are basic for national survival. We recommend their adoption by your Senate subcommittee.

PROF. LLOYD RADER,
Chairman, Madison Civil Defense Commission.

SUPERIOR, WIS., *August 6, 1962.*

Senator MAGNUSON,
U.S. Senate Chambers, Washington, D.C.:

Respectfully urge you to support Secretary Pittman and oppose Thomas subcommittee report on civil defense budget.

RICHARD MCGRATH,
Superior-Douglas County Civil Defense Director.

CHEYENNE, WYO., *August 4, 1962.*

Hon. WARREN MAGNUSON,
U.S. Senator,
Senate Office Building, Washington, D.C.:

Federal appropriation to place emphasis on local civil defense is a necessity. The amount of money appropriated for nuclear weapons as opposed to that lesser amount which has always been appropriated for civil defense does not balance. Our citizens at the local level are entitled to protection. Facts indicate our enemy possesses nuclear ability. Without protection it is understandable that some misguided citizens contemplate "better Red than dead." Until a nuclear defense exists with protection for our citizens, we are exposed to destruction and nuclear blackmail. Historically, only the aggressor is ready for war. Defending nations lack knowledge of aggressor intentions, and must plan for the worst while hoping for the best. A few Federal programs have been ill conceived, and misguided, but does our country need to experience a nuclear attack before we have an all-inclusive, totally effective program? State, county, and city civil defense directors agree that an effective program can be implemented at the grassroots level, using commonsense, and application of funds based on local conditions.

Maj. Gen. GEORGE O. PEARSON,
State Civil Defense Director.

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
August 10, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Appropriations for Independent Offices, Senate Appropriations Committee, New Senate Office Building, Washington, D.C.

DEAR WARREN: I have received letters from the Governor of Wisconsin, from the Wisconsin director of civil defense, from the mayor of Watertown, Wis.,

and from the vice president of the Wisconsin State AFL–CIO, as well as telegrams from civil defense and civic officials in Wisconsin, asking that all or part of the requested funds for civil defense be restored by the Senate.

I would appreciate it very much if you would make these communications to me, as well as this letter, part of the record of the hearings conducted on this subject.

Warm regards.

WILLIAM PROXMIRE,
U.S. Senator.

OFFICE OF THE GOVERNOR,
Madison, Wis., August 7, 1962.

Senator WILLIAM PROXMIRE,
Senate Office Building, Washington, D.C.

DEAR BILL: I would appreciate your help in restoring the funds cut by the House from the Office of Civil Defense request for fiscal 1963. The major cut was some $460 million for the proposed shelter incentive program for schools and hospitals. I understand that this new program will not be funded until the Armed Services Committees have acted on the authorizing legislation, which may not be until early next session.

Other cuts, however, have the most serious impact on present as opposed to proposed future programs. As you know, an extensive program is now underway to identify, stock, and make usable shelter space in existing buildings. This worthwhile and inexpensive program has generated extensive workloads for local organizations, with the real impact beginning to be felt this spring and summer. In anticipation of this load, Wisconsin cities and counties have been urged over the last year to expand their budgets, organizations, and effectiveness. They have responded by approximately tripling the number of effective organizations in the State, to over 40 counties and 25 municipalities.

This local expansion was made, however, in the expectation that Federal matching funds would be available for personnel and administrative expenses. These were cut by the House from the $18 million request to $12 million, last year's level, which will probably mean that a number of Wisconsin counties and municipalities which this year expanded their budgets will be denied Federal matching fund aids. The effect would undoubtedly be to eliminate a number of the new local programs, and with them the ability to improve shelter space in existing buildings. Wisconsin's program, which over this last year has become one of the four best in the country, would be put back close to where it started.

I would therefore appreciate your help in restoring the P. & A. matching moneys to the $18 million level requested by Secretary McNamara.

Also, Watertown and Brown County have begun projects to install emergency operating centers (seats of government) in new public buildings. They committed time and money in fiscal 1962 in expectation that matching funds for such operating centers would be available in fiscal 1963. These funds were eliminated by the House. Watertown and Brown County will lose the funds already committed if the $8 million is not restored. I would therefore appreciate your help in restoring the $8 million requested by Secretary McNamara for emergency operating centers.

Sincerely yours,

GAYLORD A. NELSON, *Governor.*

THE STATE OF WISCONSIN,
BUREAU OF CIVIL DEFENSE,
Madison, Wis., August 1, 1962.

Hon. WILLIAM PROXMIRE,
Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: I am writing to ask your aid in a matter of critical importance to Watertown and to Brown County, relating to the Office of Civil Defense appropriations for fiscal year 1963. As set forth in the enclosed letter to Assistant Secretary of Defense Pittman, in fiscal year 1962 Watertown commenced a project to construct in the new city hall a civil defense emergency seat of government (an "emergency operating center" or EOC).

The Office of Civil Defense approved a project application providing for $10,000 of Federal fiscal year 1962 funds for the design of the EOC, to be matched by $10,000 of local funds. The actual construction, however, would involve a fur-

ther sum of some $150,000 of OCD matching funds on a fiscal year 1963 project application.

As you undoubtedly know, the House deleted $8 million requested by OCD for fiscal year 1963 EOC projects. If at least some of these funds are not restored by Senate action, Watertown will lose $15,000 to $20,000, plus approximately a month of time, by proceeding with the EOC project in reliance on fiscal year 1963 funds being available for actual construction. (Watertown would have to foot all the bill for the wasted detailed design of the EOC plus the added cost of completely redesigning the city hall structure without the EOC.)

Brown County is also in an extended position with regard to an EOC to be built under the new county jail in Green Bay. A project application is in the final approval stage at the Pentagon for $12,000 for EOC design, with the requested Federal share being $6,000. (This initial stage was to have been funded out of fiscal year 1962 funds, but OCD requested they be changed to fiscal year 1963.)

The best solution would of course be a Senate restoration of at least some of the EOC moneys for fiscal year 1963. It would appear that in fairness to the cities in Wisconsin and elsewhere which have EOC projects in process, and thus stand to lose by their cancellation, a sum sufficient to complete these pending projects should be made available by Senate and conference committee action.

I understand that the Senate Subcommittee on Independent Offices Appropriations will be hearing the OCD fiscal 1963 request on Monday, August 6. I should therefore deeply appreciate your doing everything possible to secure favorable consideration of the OCD request for EOC funds, for fiscal year 1963.

As little as $1 million might serve to complete the EOC projects pending in the country, though I of course do not have exact figures on pending projects. A much smaller sum, probably on the order of $250,000, would suffice to complete the in-process Watertown and Brown County projects.

In view of the crucial importance of this EOC funding matter to Watertown and to Brown County, I know that Mayor Robert White of Watertown and Mr. Arthur Norgaard of Green Bay, Brown County civil defense director (Brown County Courthouse), would apprecite hearing from you as to Senate appropriation action.

In more general terms, the Nation must look to the Senate for restoration of other House cuts in the OCD requests for 1963. Secretary McNamara has testified that DOD regards a balanced, effective, civil defense program as essential in the 1960's. With increasing numbers of thermonuclear weapons in existence, there is always the possibility of the great powers slipping over the brink into war, perhaps largely unintended, as in 1914. It would be grossly imprudent not to have taken the modest steps which could save scores of millions, in the unhappy event of a war so occurring.

With thanks for your help in these matters, I am,

Sincerely yours,

WILLIAM K. CHIPMAN, *Director.*

CITY OF WATERTOWN, WIS., *August 7, 1962.*

Senator WILLIAM PROXMIRE,
Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: As you probably know the city of Watertown entered into an agreement last spring with the Federal Government Civil Defense Office to include in its new city hall a civil defense control center. Phase 1 of the project has been completed and approved by the Federal authorities and phase 2 is almost complete. Now that the House voted to eliminate the $8 million for this purpose the council has decided to wait until the Senate acts before scrapping the project. Senator, if this money is not restored we stand to lose about $10,000 in committed architect fees plus the loss of time and effort. With the approval of the Federal civil defense authorities we entered into an agreement with the architect to draw the plans according to civil defense requirements. We would not build the building if we had to go it alone because of the increased costs for civil defense purposes only. The increases amount to $260,000 over and above what we had planned. We stood ready to pay our share, 50 percent of this increased cost and took the Governments word in good faith that they would pay the other $130,000. To go back to our original idea for a building would mean to scrap the present plans and develop new ones; this is where more cost and delays would come in.

It is my belief that the Federal Government should stand back of this commitment and that we should not be required to suffer a loss when we acted in good faith. I am not asking the restoration of the whole $412 million but the $8 million for this purpose or any other funds that have been committed. I urge your support of this feature of bill H.R. 12711.

Sincerely,

R. P. WHITE, *Mayor of Watertown.*

WISCONSIN STATE AFL–CIO,
Milwaukee, Wis., August 6, 1962.

HON. WILLIAM PROXMIRE,
Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: I would like to request your help in restoring House cuts in Office of Civil Defense appropriation request for fiscal year 1963. The major cuts related to the proposed incentive grants for school and hospital shelter construction, but other cuts affect current programs.

The present program for identifying marking and stocking shelter space in existing buildings will be seriously affected if personnel and administrative matching aids are not restored by Senate action. Wisconsin counties and municipalities have counted heavily on these aids in expanding their own programs and will be in poor shape to bear their part of the load if these funds are not increased from previous $12 million level to near the $18 million request by Secretary Pittman for fiscal 1963.

I would appreciate your supporting the low-cost program to provide shelter in existing structures and request that funds to contniue this worthwhile current project be restored by the Senate, including aids to local governments to help them fulfill their missions in the national shelter survey.

Sincerely yours,

JOHN W. SCHMITT,
Member of State Civil Defense Committee.

SUPERIOR, WIS., *August 6, 1962.*

Senator WILLIAM PROXMIRE,
Senate Chambers, Washington, D.C.:

Respectfully urge you to oppose Thomas subcommittee report on civil defense budget. This report will adversely effect the Superior Douglas County civil defense program as well as the civil defense program nationally.

RICHARD MCGRATH,
Superior Douglas County Civil Defense Director.

[Western Union telegram]

MADISON, WIS., *August 6, 1962.*

HON. WILLIAM PROXMIRE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PROXMIRE: The House recently cut Office of Civil Defense request for fiscal 1963 by some 90 percent. Proposed shelter incentive program for schools and hospitals was eliminated.

Funds to continue present program for surveying, marking, and stocking shelter in existing buildings were also cut. Most critical cut from standpoint of counties and municipalities was in personnel and administrative expense matching funds, cut by House from $18 million request to fiscal year 1962 level of $12 million. Over 40 Wisconsin counties and 25 municipalities have this year sharply expanded civil defense budgets and greatly increased effectiveness of staffs, to cope with sharply increased local duties imposed by current program to survey and stock usable shelter in existing buildings. (This program is independent of proposed school-hospital incentive program.)

Local budget increases were made in reliance on Federal matching aid in fiscal year 1963, if personnel and administrative matching funds are not available at $15 to $18 million level requested by Secretary McNamara and Assistant Secretary Pittman, county boards and city councils will feel betrayed and cut back

own programs. Potential to save 3 to 4 million lives in Wisconsin, in possible time of need, may thereby be largely lost. Would therefore deeply appreciate your support to restore at least personnel and administrative matching funds cuts to $15 to $18 million level, from House $12 million, also other ongoing programs requested by Assistant Secretary Pittman. Personnel and administrative funds matter in particular is of fundamental importance to Wisconsin and U.S. counties and cities.

Sincerely,

W. K. CHIPMAN,
Director, Wisconsin Civil Defense Bureau.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE

STATEMENT OF DR. JAMES M. HUNDLEY, ASSISTANT SURGEON GENERAL FOR PLANS; ACCOMPANIED BY GABRIEL P. FERRAZZANO, CHIEF, DIVISION OF HEALTH MOBILIZATION; DAVID S. BRUNSON, CHIEF, STOCKPILE MANAGEMENT BRANCH; RICHARD W. BOWMAN, EXECUTIVE OFFICER; AND JAMES F. KELLY, DEPARTMENT BUDGET OFFICER

EMERGENCY HEALTH ACTIVITIES

Senator MAGNUSON. All right. Dr. Hundley, the Assistant Surgeon General for Plans of the Public Health Service, Department of Health, Education, and Welfare, is here.

HOUSE ACTION

The appropriation for this civil defense medical stockpile activity was $13 million in 1962. The budget has a $41,445,000 item for 1963, and the house gave you $5,500,000.

Dr. HUNDLEY. That is correct.

Senator MAGNUSON. Which is $35 million minus from the estimates of the budget.

Then there is some stockpile procurement language involved.

We will put your letter in the record in full, and the statement on the justification. You have a short statement here for the committee. Do you want to put that in the record in full and discuss it informally with us?

Dr. HUNDLEY. I will proceed in any way you wish.

Senator MAGNUSON. All right. You proceed in that way and we can save time, and we can ask questions as we go along.

(The letter and statement referred to follow:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
PUBLIC HEALTH SERVICE,
Washington, D.C., August 3, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: This is in response to your letter of July 27, 1962, requesting comments on the House action as it relates to the civil defense activities of the Public Health Service. We are deeply appreciative of the opportunity which you have afforded to us to comment on this action and to present to your committee our view as to the health emergency preparedness and medical stockpile requirement in 1963 to fulfill the important Federal responsibility in this area.

The President's budget for 1963 emergency health and medical stockpile responsibilities of the Public Health Service requested $41,445,000, an increase of $4,700,000 over the $36,745,000 available in 1962 for these purposes.

The House proposes to allow only $5,500,000, a reduction of $35,945,000 from the budget estimate and $31,245,000 below the funds available in 1962.

The House allowance would provide for only the most modest program of stockpile management and health training and community preparedness activities. It deletes in its entirety the funds requested for procurement of new and replacement of medical supplies and materials to carry out the planned program of establishing an adequate prepositioned stockpile of emergency hospitals and related medical requirements and severely restricts the Service's capability of adequately managing the stockpile and preparing communities and training health personnel in the effective utilization of these medical resources. To carry out the apparent intent of the House, it would be necessary to broaden the appropriation language to cover all of the Public Health Service responsibilities in civil defense preparedness. In this connection there is attached appropriation language designed to accomplish this.

A review of the House action in the light of current developments and the current status of the medical stockpile and the health training and community preparedness program leads us to feel that such a restrictive program in 1963 would be a risky and unwise course of action. We believe that the program recommended by the President for this purpose was designed to more nearly fulfill the Federal responsibilities and that its enactment is in the public interest. No change in conditions has occurred in our judgment that would warrant a significant change in our civil defense preparedness.

It is therefore respectfully requested that the Senate restore the $35,945,000 disallowed by the House. There is attached a statement of specific changes in the House bill which are proposed together with a more complete description of the program and the requirements for this activity.

Sincerely,

JAMES M. HUNDLEY, M.D.,
Assistant Surgeon General.

AMENDMENT REQUESTED BY DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE TO H.R. 12711, 87TH CONGRESS, 2D SESSION, IN THE SENATE OF THE UNITED STATES

On page 4 commencing with line 23 and ending on page 5, line 3, delete the entire section pertaining to "Civil Defense Medical Stockpile Activities" and insert in lieu thereof the following:

"EMERGENCY HEALTH ACTIVITIES

"For expenses necessary for carrying out emergency planning and preparedness functions of the Public Health Service, and for procurement, storage (including underground storage), distribution, and maintenance of emergency civil defense medical supplies and equipment authorized by section 201 of the Federal Civil Defense Act of 1950, as amended (50 U.S.C., app. 2281), $41,445,000, of which $33,174,000 shall remain available until expended for procurement and distribution of medical supplies and equipment."

STATEMENT OF EMERGENCY HEALTH REQUIREMENTS AND EFFECT OF HOUSE ACTION

The House reduced the budget estimate of $41,445,000 by $35,945,000, approving $5,500,000 for all emergency health activities of the Public Health Service. In addition, in recommending the language as contained in the bill, the purposes for which the appropriation may be used are restricted to those associated with maintaining the stockpile of medical supplies. Other vital emergency health activities, including additional procurement, updating of obsolete and deteriorated materials, emergency health training, and community preparedness activities cannot be supported. Specific results of the House action are detailed below:

ACQUISITION OF STOCKS

The President's budget for this purpose proposed $25,500,000 for the purchase of an additional 750 civil defense emergency hospitals to reach a total of 3,430 at the end of 1963. It also proposed an estimate of $5,750,000 for replacement of a portion of the obsolete and deteriorated materials known to exist in current inventories. The House eliminated entirely the amounts proposed for these purposes.

INVENTORY MANAGEMENT AND PLANNING AND ADMINISTRATION

The budget contained an estimate of $8,750,000 for management activities concerned primarily with the medical stockpile program. The action of the House would permit continuation of activity at the 1962 level in providing $4,600,000. The allowance would not permit support of (1) increased requirements for storage, testing, and rotation of drugs stored by manufacturers, reprocessing of serum albumin, and processing of gamma globulin stored in bulk form to immune globulin to make it available for immediate use; (2) expansion of quality control in sampling and testing of antibiotics and other items sensitive to deterioration; (3) expansion of depot management operations associated with storage, inspection, inventory, maintenance, and reconditioning of hospitals; and (4) assignment of five positions to strengthen the stockpile management activities to provide essential maintenance and administrative operations.

EMERGENCY HEALTH TRAINING AND COMMUNITY PREPAREDNESS

The budget estimate for these purposes totaled $1,445,000. This activity relates to the vital functions associated with training and the development of community capabilities to operate in disaster situations. The $900,000 recommended by the House restricts the program to the 1962 level and would not permit support of (1) an additional 29 positions in the regions and States to provide for emergency community health plans, assignment of civil defense hospitals, inspection of storage locations, and maintenance and accountability of hospitals at the State and local levels; (2) an additional five positions to support and strengthen training activities associated with training of professional medical and allied health personnel to assume emergency medical responsibilities; and (3) an additional three positions to provide for necessary coordination of plans with the Joint Blood Council and its member agencies, essential coordination and administration of the Ready Reserve Corps, and strengthening of the present emergency health service programs.

It is respectfully requested that the Senate restore, in full, the reduction of $35,945,000 recommended by the House.

EMERGENCY HEALTH ACTIVITIES

Amounts available for obligation

	1962	1963
Appropriation	$13,000,000	$41,445,000
Add comparable amount for functions funded in 1962 under the Office of Emergency Planning and Office of Civil Defense, Department of Defense	1,312,453	----------
Transferred from—		
"Salaries and expenses, Office of Emergency Planning"	270,000	----------
"Emergency supplies and equipment, Office of Emergency Planning"	22,162,547	----------
Total	36,745,000	41,445,000

Obligations by activities

Description	1962 estimate		1963 estimate		Increase or decrease	
	Positions	Amount	Positions	Amount	Positions	Amount
Medical stockpile:						
Acquisition of stocks	----------	$31,315,000	----------	$31,250,000	----------	−$65,000
Inventory management	23	3,988,000	23	8,020,000	----------	+4,032,000
Planning and administration	63	561,000	68	730,000	+5	+169,000
Emergency health training and community preparedness	67	881,000	104	1,445,000	+37	+564,000
Total obligations	153	36,745,000	195	41,445,000	+42	+4,700,000

STATEMENT BY ASSISTANT SURGEON GENERAL FOR PLANS, PUBLIC HEALTH SERVICE

Mr. Chairman and members of the committee, I appreciate the opportunity of appearing before you to present the program of the Public Health Service in the provision of emergency health services. For the first time, the total program of the Service can be presented to you in terms of the funds required exclusively for carrying out delegated responsibilities of the Public Health Service.

During the past year a major change took place in the assignment of civil defense and emergency preparedness functions. The former OCDM and its functions have been replaced by separate Executive-order assignments to the Department of Defense, the Office of Emergency Planning, and to each of nine other departments and agencies.

The responsibility for the provision of adequate health services for the civilian population in a national emergency very logically was placed upon the Secretary of Health, Education, and Welfare to be carried out through the Public Health Service.

The President's budget for fiscal year 1963 proposed an appropriation to the Public Health Service for emergency health activities totaling $41,445,000 including $40 million for medical stockpile procurement and related resources management and planning.

The only absolute protection against modern warfare is to prevent its occurrence, but as long as the threat exists, the United States must reach and maintain a maximum potential of survival and ability to recover. The devastation and chaos made possible by present-day weapons is massive. Use of these weapons would produce millions of fatalities and, in addition, millions of civilian casualties urgently in need of medical care. In developing measures to meet such a catastrophe, health resources are the foundation upon which survival and recovery plans must be based.

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The goal of the Public Health Service is to prepare a readiness program that will assure to the greatest possible extent that the health needs of the civilian population will be met in the event of a national disaster. This entails effective mobilization and utilization of all the health resources of the Nation, and particularly, the achievement of emergency health preparedness on a community basis. To attain maximum preparedness, each community must train the people in medical self-help and give them the ability to take care of their own health needs when deprived of the services of a physician; develop capabilities for the most effective use of the available health manpower, hospital and health facilities, and medical supplies and equipment; provide for an emergency supply of potable water; and prepare standby plans for the rehabilitation of damaged health services facilities and restoration of peacetime standards of medical care and sanitation.

MEDICAL STOCKPILE

The goal of the medical stockpile program is to have adequate medical supplies and equipment available for civilian needs at the community level in the event of a national emergency.

The medical stockpile consists of bulk materiel stored in 24 depots and 1,930 civil defense emergency hospitals located at carefully selected sites throughout the country. An additional 750 hospitals authorized in fiscal year 1962 are in the process of component procurement and functional assemblage.

The Public Health Service program of inspection of civil defense emergency hospitals, conducted through contract with the General Services Administration, is designed to correct existing deficiencies and establish quality control measures to prevent their occurrence.

The program includes inspection of storage facilities; inventorying of stocks; testing, servicing, and making minor on-spot repairs of equipment; replacing, to the extent possible, obsolete and deteriorated material; training of custodians in mechanical and physical characteristics of care and maintenance; preparing reports and evaluations indicating corrective action required.

The program for inspection of existing civil defense emergency hospitals, together with other quality control measures, has the added benefit of providing knowledge which is used to apply high standards for procurement, packaging, and storage of all components involved in the assembly of new civil defense emergency hospitals.

COMMUNITY PREPAREDNESS TO USE THE STOCKPILE

Having resources available, but not planning for their utilization is impractical. Communities must be educated to incorporate these resources in their disaster plan and to practice using them to their maximum capacity. There must be further preparation of professional personnel and the general public to ensure human resources being available to use the material resources.

The justification, therefore, contains estimates for emergency health training and community preparedness. Two programs will serve to illustrate what I mean, namely, the medical self-help program and the program for expanded training of allied health personnel.

MEDICAL SELF-HELP TRAINING PROGRAM

The budget before you for consideration accelerates the training program for communities. Vital to this effort is the medical self-help program developed by the Public Health Service and initiated in January 1962, to teach families how to survive a national emergency and how to manage their own health needs when deprived of a physician's services. The situation with which we will be confronted after an attack will include isolation of individuals and small family groups for extended periods of time; radioactive fallout conditions that will delay resumption of organized health services; the reduction of the physician population to half its present size; and requirements for professional services and other health resources by the casualty and noncasualty survivors which will exceed many times the capability of the community to provide these services and resources in the usual manner.

The individual must be able to substitute for this lack of services in an emergency. The American Medical Association worked with the Public Health Service to develop medical self-help training, and is lending its full support to the conduct of the program. The American National Red Cross and all major

allied medical professional associations also have endorsed it and are providing assistance in program implementation.

The goal of the medical self-help program is to train at least one member of every family in a minimum possible time.

Self-help, however, is only one form of training essential for survival preparedness.

Training must be provided in (1) the management and use of the civil defense emergency hospital, (2) mass casualty care, (3) austere medical treatment, (4) fixed hospital disaster operation, (5) community disaster health planning, and (6) expansion of health and medical care functions of physicians, nurses, hospital administrators, environmental health workers, and other allied health professions.

Since time does not permit review of each training activity in detail, I will present only one of them—expanding the functions of members of the health professions.

EXPANDED TRAINING OF ALLIED HEALTH PERSONNEL

A basic requirement of the community health preparedness program is to overcome the postdisaster disparity between the numbers of sick and injured requiring medical care and the numbers of physicians available to provide treatment. The most effective method of overcoming this disparity is by expanding the responsibilities of the allied health professional to include the performance of medical, surgical, and environmental health procedures not normally a part of his everyday practice in peacetime. In this way and by this method, the physician's services can be extended to a much larger number of patients. Let me illustrate: In normal practice, the physician diagnoses disease, prescribes treatment, and personally performs the more intricate procedures, such as cleaning wounds, suturing lacerations, applying plaster splints, administering intravenous fluids, and so forth. In a major disaster, nurses and other allied health personnel will have to be prepared to examine patients and institute many of these procedures with only general supervision and direction by the physician. If they are to accept these responsibilities, standardized medical procedures must be developed and prescribed by the physician and adequate training given. In this way the "hand" of the physician can be applied to the great number of patients who will require his care, and the disparity between the number of physicians available and the need for their services can be overcome.

PROGRAM ASSISTANCE TO COMMUNITIES

Overall assistance to communities in achieving emergency readiness must be given on a direct and continuing basis. This can most effectively be accomplished by the assignment of program representatives to regional offices and States.

These representatives will provide program direction and assistance to communities in their efforts to develop and implement emergency health preparedness measures that make the most efficient use of available health resources. This will include assistance in planning and instituting effective emergency program plans, in determining needs and managing health resources, in conducting local training activities, and in coordinating emergency health program with other civil defense activities.

EMERGENCY HEALTH REQUEST FOR FISCAL YEAR 1963

The estimate for 1963 of $41,445,000 provides (1) $40 million for the medical stockpile, an increase of $4,136,000, and (2) $1,445,000 for emergency health training and community preparedness, an increase of $564,000.

The $40 million for the medical stockpile will provide for the acquisition of an additional 750 civil defense emergency hospitals, increasing the total to 3,430. It will also permit substantial replacement of medical supplies and equipment which have deteriorated beyond usability both in warehouse stock and in prepositioned civil defense emergency hospitals that were acquired between 1952 and 1957. The increase of $4,136,000 provides for transportation of materials and hospitals procured in 1962 to prepositioned community sites, relocation of stocks, reconditioning of 400 existing prepositioned hospitals, and the costs necessary in connection with maintenance and reworking of materials in depots and in manufacturers custody. For example, during 1963, reprocessing of serum

albumin stocks will be required to reduce the accumulated deterioration and to restore the original stock to a usable condition with a 10-year dating period.

Within the increase of $564,000 for emergency health training and community preparedness an amount of $250,000 is being requested for regional and State personnel assignments. This increase will provide for 21 additional State program representatives, bringing the total State coverage to 32 and the District of Columbia. Experience in States where these personnel have been assigned demonstrates that they are extremely effective in developing emergency health preparedness capability at the community level.

In addition, it is proposed to assign a resources management officer to the DHEW regional offices to provide guidance and assistance to States in locating and maintaining prepositioned civil defense emergency hospitals; developing plans and administrative procedures for use of established health facilities in emergencies; determining needs for community emergency medical supplies and equipment; and assessing community emergency health manpower requirements.

Increased program emphasis on training includes not only the extension of the medical self-help program to additional areas, but the development and institution of the other training activities necessary to achieve community emergency health preparedness. An increase of $235,000 is being requested for these activities.

An increase of $70,000 is requested for program planning and technical services that will make possible the (1) development of an emergency blood program plan that will insure adequate supplies for mass casualty care; (2) expansion and coordination of a ready reserve program through which specialized health personnel will be selected and trained for emergency health services in local communities; and (3) expansion of program evaluation to measure and guide the achievement of emergency health preparedness.

An increase of $9,000 is requested for the Public Health Service share of the medical education for national defense program. This cooperative activity, with the three military services branches (total Public Health Service cost, $189,000), provides grants to assist all 87 medical schools in the United States to incorporate disaster training in their curriculums.

The Public Health Service is dedicated to the goal of attaining the most effective emergency health capability among our entire population. Activities to achieve this goal can be grouped into three major program areas: (1) preparation of the civilian to meet his own health needs when deprived of the services of a physician, (2) assistance to State and local communities to develop their capabilities to implement effectively their emergency health operational survival plans, and (3) development of a coordinated emergency program for Federal agencies having health or health related responsibilities.

EFFECT OF HOUSE ACTION

Mr. Chairman, I am sure you are aware that the House drastically reduced the funds available to the Public Health Service for the activities I have just summarized. The House appropriation provides $5,500,000 in contrast to the $41,445,000 requested in the President's budget and the $36,745,000 actually available in 1962. Furthermore, the language in the House bill is not entirely clear as to the purposes for which the $5,500,000 may be used. The language of the House report provides the $5,500,000 "to maintain the present stockpile of medical supplies and emergency hospitals." Our budget request shows under the heading of "Medical stockpile" an item of $881,000 for emergency health training and community preparedness activities which are not medical stockpile, per se, but which represent a closely related and companion activity to create the capability to use effectively these medical stockpiles should the need arise. We assume that the House intended that the emergency training item of $881,000 was to be included in the $5,500,000 authorized, since this would approximately maintain this program at the 1962 level after eliminating all procurement of new or replacement items for the medical stockpile. I have had prepared an amendment to the language of H.R. 12711 which would clarify this point and three tables which in summary and in detail present the effect of the House action which are attached to my prepared statement. Mr. Chairman, we believe strongly that the original budget estimate of $41,445,000 is fully justified in the national interest and represents a program level commensurate with the national and international situation as it now exists. We believe that the drastic reduction which would result from the House action is not in the national interest and earnestly urge the Senate to provide the full amount originally requested.

PUBLIC HEALTH SERVICE

Emergency health activities [1]—Obligations by activity

	1962 appropriation		1963 estimate		1963 House allowance	
	Positions	Amount	Positions	Amount	Positions	Amount
1. Medical stockpile:						
(a) Acquisition of stocks: Procurement of new hospitals	------	$28,500,000	------	$25,500,000	------	------
Replacement of deteriorated materials	------	2,815,000	------	5,750,000	------	------
(b) Inventory management	86	4,549,000	91	8,750,000	86	$4,600,000
Subtotal, medical stockpile	86	35,864,000	91	40,000,000	86	4,600,000
2. Emergency health training and community preparedness	67	881,000	104	1,445,000	67	900,000
Total obligations	153	36,745,000	195	41,445,000	153	5,500,000

[1] The title of the appropriation, as recommended by the House, is "Civil Defense Medical Stockpile Activities."

Obligations by object

		1962 appropriation	1963 estimate	1963 House allowance
	Total number of permanent positions	153	195	153
	Full-time equivalent of other positions	3	8	3
	Average number of all employees	152	200	152
	Number of employees at end of year	145	192	145
11	Personnel compensation	$1,162,000	$1,535,000	$1,180,000
12	Personnel benefits	108,000	122,000	110,000
21	Travel and transportation of persons	73,000	135,000	73,000
22	Transportation of things	504,000	1,941,000	504,000
23	Rent, communications, and utilities	29,000	38,000	29,000
24	Printing and reproduction	11,000	27,000	11,000
25	Other services	18,000	58,000	18,000
	Services of other agencies	3,317,000	6,077,000	3,358,000
26	Supplies and materials	17,244,000	13,813,000	16,000
31	Equipment	14,099,000	17,810,000	12,000
41	Grants, subsidies, and contributions	180,000	189,000	189,000
	Total obligations	36,745,000	41,445,000	5,500,000

Summary of changes

Enacted appropriation 1962	$13,000,000
Transferred from:	
"Salaries and expenses, Office of Emergency Planning"	270,000
"Emergency supplies and equipment, Office of Emergency Planning"	22,162,547
Add comparable amount for functions funded in 1962 under the Office of Emergency Planning and the Office of Civil Defense, Department of Defense	1,312,453
Total estimated obligations 1962	36,745,000
Estimate for 1963	41,445,000
Total change	+4,700,000

	1963 estimate		1963 House allowance	
	Positions	Amount	Positions	Amount
Increases:				
A. Built in:				
1. Annualization of contractual services with GSA—inspection teams-medical stockpile (66 positions authorized in 1962 for 65 percent of year)	----------	$172,000	----------	$172,000
2. Annualization of medical stockpile management (13 positions authorized in 1962)	----------	65,000	----------	65,000
Subtotal, built in	----------	237,000	----------	237,000
B. Program increases:				
1. Procurement program-medical stockpile:				
Acquisition of 750 civil defense hospitals	----------	25,500,000	----------	----------
Replacement of deteriorated materials	----------	5,750,000	----------	----------
2. Expansion of inventory management	5	3,964,000	----------	----------
3. Expansion of emergency health training and community preparedness activity	37	564,000	----------	19,000
Subtotal, program increases	42	35,778,000	----------	----------
Gross increases	42	36,015,000	----------	----------
Decreases:				
A. Procurement program-medical stockpile	----------	31,315,000	----------	31,315,000
B. Adjustments to entrench to House allowance	----------	----------	----------	186,000
Total net change	42	+4,700,000	----------	−31,245,000

RESPONSIBILITIES FOR EMERGENCY PREPAREDNESS FUNCTIONS

Dr. HUNDLEY. To summarize very briefly, Mr. Chairman, the longer statement that has already been provided to the committee presents our position. I am sure this committee knows that during the past year there has been a major change in the assignment of responsibilities for emergency preparedness functions. The Department of Health, Education, and Welfare until recently derived its civil defense responsibilities from Emergency Preparedness Orders 4 and 5. However, on August 14, 1961, the President, in Executive Order 10958, directed the Secretary of Health, Education, and Welfare to assume full responsibility for the medical stockpile functions, and on February 16, 1962, directed the Secretary of Health, Education, and Welfare in Executive Order 11001 to assume other functions formerly conducted and financed under the OCDM authority. I have copies of these two Executive orders.

Senator MAGNUSON. We will put those in the record in full.

(The information referred to follows:)

PRESIDENTIAL DOCUMENTS

TITLE 3—THE PRESIDENT

EXECUTIVE ORDER 10958

DELEGATING FUNCTIONS RESPECTING CIVIL DEFENSE STOCKPILES OF MEDICAL SUPPLIES AND EQUIPMENT AND FOOD

By virtue of the authority vested in me by Reorganization Plan No. 1 of 1958 (72 Stat. 1799), and as President of the United States, it is ordered as follows:

PART I. MEDICAL STOCKPILES

SECTION 101. *Delegation of functions.* Certain functions under the Federal Civil Defense Act of 1950, as amended (which were transferred to the President by the provisions of Reorganization Plan No. 1 of 1958 (72 Stat. 1799)), are hereby delegated to the Secretary of Health, Education, and Welfare, hereafter in this Part referred to as the Secretary, as follows:

(a) All functions (including, as used in this order, powers, duties, and authority) under section 201(h) of that Act, 50 U.S.C. App. 2281(h), to the extent that they pertain to the stockpiling of medical supplies and equipment.

(b) To the extent that they are incidental to or necessary for the performance by or under the Secretary of the functions delegated by the provisions of section 101(a) of this order, other functions under the Federal Civil Defense Act of 1950, as amended, excluding, however, functions under sections 102(a), 201(b), and 402 and Title III of that Act.

SEC. 102. *Redelegation.* The Secretary may redelegate any of the functions delegated to him by this order to any of his subordinates.

PART II. FOOD STOCKPILES

SEC. 201. *Delegation of functions.* Certain functions under the Federal Civil Defense Act of 1950, as amended (which were transferred to the President by the provisions of Reorganization Plan No. 1 of 1958 (72 Stat. 1799), are hereby delegated to the Secretary of Agriculture, hereafter in this Part referred to as the Secretary, as follows:

(a) All functions under section 201(h) of that Act, 50 U.S.C. App. 2281(h), to the extent that they pertain to the stockpiling of food.

(b) To the extent that they are incidental to or necessary for the performance by or under the Secretary of the functions delegated by the provisions of section 201(a) of this order, other functions under the Federal Civil Defense Act of 1950, as amended, excluding, however, functions under sections 102(a), 201(b), and 402 and Title III of that Act.

SEC. 202. *Redelegation.* The Secretary may redelegate any of the functions delegated to him by this order to any of his subordinates.

PART III. GENERAL PROVISIONS

SEC. 301. *Relationships with other agencies.* The responsibilities of the Director of the Office of Civil and Defense Mobilization in respect of the functions delegated by the provisions of Parts I and II of this order shall be those stated in section 2(a) of Executive Order No. 10952 of July 20, 1961 (26 F.R. 6577).

SEC. 302. *Property, personnel, and records.* Subject to law, property, personnel, and records of the Office of Civil and Defense Mobilization shall be transferred as follows:

(a) To the Department of Health, Education, and Welfare, so much thereof, related to the functions delegated by the provisions of Part I of this order, as may be determined jointly by the Secretary of Health, Education, and Welfare and the Director of the said Office.

(b) To the Department of Agriculture, so much thereof, related to the functions delegated by the provisions of Part II of this order, as may be determined jointly by the Secretary of Agriculture and the said Director.

SEC. 303. *Funds.* There shall be transferred to the Department of Agriculture and to the Department of Health, Education, and Welfare so much of the appropriations, allocations, and other funds (available or to be made available)

of the Office of Civil and Defense Mobilization as shall be determined in pursuance of the provisions of section 202(b) of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 581c(b)) and section 1(k) of Executive Order No. 10530 of May 10, 1954.

SEC. 304. *Prior Executive orders.* Exclusive of Executive Order No. 10952 of July 20, 1961, all prior Executive orders (including Executive Order No. 10773 of July 1, 1958, as amended, and Executive Order No. 10902 of January 9, 1961) are hereby superseded to the extent that, immediately prior to the issuance of this order and in respect of the functions delegated by the provisions of Parts I and II of this order (to the extent there delegated), they delegate or otherwise assign, or authorize the delegation or other assignment of, functions or subject, or authorize the subjection of, the performance of functions to supervision, direction, control, or coordination.

SEC. 305. *Other prior actions.* Except to the extent that they may be inconsistent with the provisions of this order, and except to the extent revoked, superseded or otherwise rendered inapplicable before the date of this order, all determinations, authorizations, regulations, rulings, certificates, orders, directives, contracts, agreements, and other actions heretofore made, issued, or entered into with respect to any function delegated by the provisions of Part I or of Part II of this order (to the extent there delegated) shall continue in effect until such time as the Secretary of Health, Education, and Welfare or the Secretary of Agriculture, as the case may be, under the authority of this order, shall amend, modify, or terminate them. The status of prior Executive orders shall be governed by the provisions of section 304 of this order.

JOHN F. KENNEDY.

THE WHITE HOUSE, *August 14, 1961.*

[F.R. Doc. 61–7909; Filed, Aug. 15, 1961; 9:51 a.m.]

[From the Federal Register, Feb. 20, 1962]

Executive Order 11001

ASSIGNING EMERGENCY PREPAREDNESS FUNCTIONS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

By virtue of the authority vested in me as President of the United States, including authority vested in me by Reorganization Plan No. 1 of 1958, it is hereby ordered as follows:

SECTION 1. *Scope.* The Secretary of Health, Education, and Welfare (hereinafter referred to as the Secretary) shall prepare national emergency plans and develop preparedness programs covering health services, civilian health manpower, health resources, welfare services, and educational programs as defined below. These plans and programs shall be designed to develop a state of readiness in these areas with respect to all conditions of national emergency including attack upon the United States.

SEC. 2. *Definitions.* As used in this order:

(a) "Emergency health services" means medical and dental care for the civilian population in all of their specialties and adjunct thereapeutic fields, and the planning, provision and operation of first aid stations, hospitals, and clinics; preventive health services, including detection, identification and control of communicable diseases, their vectors, and other public health hazards, inspection and control of purity and safety of food, drugs and biologicals; food and milk sanitation; public water supplies; sewage and other waste disposal; registration and disposal of the dead; prevention and alleviation of water pollution; vital statistics services; preventive and curative care related to human exposure to radiological, chemical, and biological warfare agents; and rehabilitation and related services for disabled survivors. It shall be understood that health services, for the purposes of this order, do not encompass the following areas for which the Department of Agriculture has responsibility: plant and animal diseases and pest prevention, control and eradication, protection of meat and meat products, and poultry and poultry products in establishments under continuous inspection service by the Department of Agriculture, veterinary biologicals, agricultural commodities and products owned by the Commodity Credit Corporation or the Secretary of Agriculture, livestock, agricultural commodities

owned or harvestable on farms and ranches, agricultural lands, and registration of pesticides.

(b) "Health manpower" means physicians (including osteopaths); dentists; sanitary engineers; registered professional nurses; and such other occupations as may be included in the List of Health Manpower Occupations issued for the purposes of this Executive Order by the Director of the Office of Emergency Planning after agreement by the Secretary of Labor and the Secretary of Health, Education, and Welfare.

(c) "Health resources" means manpower, material, and facilities required to prevent the impairment of, improve, and restore the physical and mental health conditions of the civilian population.

(d) "Emergency welfare services" means feeding; clothing; housing or lodging in private and congregate facilities; registration; locating and reuniting families; care of unaccompanied children, the aged, the handicapped, and other groups needing specialized care or service; necessary financial or other assistance; counseling and referral services to families and individuals; aid to welfare institutions under national emergency or post-attack conditions; and all other feasible welfare aid and services to people in need during a civil defense emergency. Such measures include organization, direction, and provision of services to be instituted before attack, in the event of strategic or tactical evacuation, and after attack in the event of evacuation or of refuge in shelters.

(e) "Education," as used in this order, means the utilization of formal public and private school systems, from elementary through college, for the dissemination of instructional material guidance, and training in the protection of life and property from enemy attack.

SEC. 3. *Health Functions.* With respect to emergency health services, as defined above, and in consonance with national civil defense plans, programs and operations of the Department of Defense under Executive Order No. 10952, the Secretary shall:

(a) *National program guidance.* Develop plans and issue guidance designed to utilize to the maximum extent the existing civilian health resources of the Federal Government, and with their active participation, assistance, and consent, the health resources of the States and local political subdivisions thereof, and of other civilian organizations and agencies concerned with the health of the population, under all conditions of national emergency. Maintain relations with health professions and institutions to foster mutual understanding of Federal emergency plans which affect health activities.

(b) *Professional training.* Develop and direct a nationwide program to train health manpower both in professional and technical occupational content and in civil defense knowledge and skills. Develop and distribute health education material for inclusion in the curricula of schools, colleges, professional schools, government schools, and other educational facilities throughout the United States. Develop and distribute civil defense information relative to health services to States, voluntary agencies and professional groups.

(c) *Emergency water supply.* Prepare plans to assure the provision of usable public water supplies for essential community uses in an emergency. This shall include inventorying existing supplies, developing new sources, performing research, setting standards, and planning distribution. In carrying on these activities, the Department shall have primary responsibility but will make maximum use of the resources and competence of State and local authorities and of other Federal agencies.

(d) *Radiation.* Develop and coordinate programs of radiation measurement and assessment as may be necessary to carry out the responsibilities involved in the provision of emergency health services.

(e) *Biological and chemical warfare.* Develop and coordinate programs for the prevention, detection, and identification of human exposure to chemical and biological warfare agents as may be necessary to carry out the responsibilities involved in the provision of emergency health services including the provision of guidance and consultation to Federal, State, and local authorities on measures for minimizing the effects of biological or chemical warfare.

(f) *Food, drugs, and biologicals.* Plan and direct national programs for the maintenance of purity and safety in the manufacture and distribution of food, drugs, and biologicals in an emergency.

(g) *Disabled survivors.* Prepare national plans for emergency operations of vocational rehabilitation and related agencies, and for measures and resources necessary to rehabilitate and make available for employment those disabled persons among the surviving population.

(h) *Salvage and rehabilitation.* Develop plans for salvage of supplies and equipment and rehabilitation of health services, supplies, and facilities after attack.

SEC. 4. *Welfare Functions.* With respect to emergency welfare services as defined above, and in consonance with national civil defense plans, programs and operations of the Department of Defense under Executive Order No. 10952, the Secretary shall:

(a) *National program guidance.* Develop plans and issue guidance for an integrated national program for emergency welfare services and, working with other Federal departments and agencies, provide for extending guidance and technical assistance to State and local welfare departments in the development and operation of their plans for the community organization of emergency welfare services.

(b) *Federal support.* Cooperate in the development of Federal support procedures, through joint planning with other departments and agencies, including but not limited to the Post Office Department, the Department of Labor, and the Selective Service System, the Housing and Home Finance Agency, and resource agencies including the Department of Agriculture, the Department of the Interior, and the Department of Commerce for logistic support of State and community welfare services in an emergency.

(c) *Emergency welfare training.* Develop and direct a nationwide program to train emergency welfare manpower for the execution of the functions set forth in this order, develop welfare educational materials, including self-help program materials for use with welfare organizations and professional schools, and develop and distribute civil defense information relative to emergency welfare services to States, voluntary agencies, and professional groups.

(d) *Financial aid.* Develop plans and procedures for financial assistance to individuals injured or in want as a result of enemy attack and for welfare institutions in need of such assistance in an emergency.

(e) *Professional liaison.* Maintain relations with national voluntary welfare organizations and related national professional and business organizations to foster mutual understanding and support of emergency welfare plans and activities.

SEC. 5. *Education Functions.* With respect to education as defined above, and in consonance with national civil defense plans, programs and operations of the Department of Defense under Executive Order No. 10952, the Secretary shall develop and issue through appropriate channels instructional materials and provide suggestions and guidance to assist schools, colleges, and other educational agencies to incorporate emergency protective measures and long-range civil defense concepts into their programs. This involves assistance to various levels of education to develop an understanding of the role of the individual, family, and community for civil defense in the nuclear age, as well as the maintenance of relations with educators, national and State education associations, foundations, and other related organizations to foster mutual understanding and support of civil defense activities.

SEC. 6. *Facilities Protection and Damage Assessment.* In consonance with the national civil defense plans, programs and operations of the Department of Defense under Executive Order No. 10952, the Secretary shall:

(a) *Facilities protection.* Provide industry protection guidance material adapted to the needs of health, welfare, and education facilities and promote a national program to stimulate, guide, and assist facilities such as hospitals, clinics, public water plants, waste disposal plants and facilities for other emergency health services, welfare institutions, and schools in methods of disaster preparedness and control in order to minimize the effects of overt or covert attack and maintain continuity of capacity to serve the public in an emergency. Guidance and assistance shall include but not be limited to: organizing and training facility employees, employee shelter, evacuation plans, records protection, continuity of management, emergency repair, deconcentration or dispersal of facilities, and the organization of mutual aid associations for emergency.

(b) *Damage assessment.* Maintain a capability to assess the effects of attack on health, welfare, and education facilities and personnel both at national and field levels and provide data to the Department of Defense.

SEC. 7. *Resources.* The Secretary shall periodically assess assigned resources available from all sources in order to estimate availability under an emergency situation, analyze resource estimates in relation to estimated requirements in order to identify problem areas and develop appropriate recommendations and

programs. Provide data and assistance before and after attack for national resource evaluation purposes of the Office of Emergency Planning.

SEC. 8. *Relative Urgencies.* The Secretary shall develop standards and relative urgencies for emergency health and welfare services for guidance of Federal agencies, States, and communities in providing maximum protection to survivors, and for the purpose of conserving, improving availability, and allocating such resources.

SEC. 9. *Requirements.* The Secretary shall periodically assemble, develop as appropriate, and evaluate requirements for assigned resources and services, taking into account the estimated needs for military as well as civilian purposes. Such evaluations shall take into consideration the geographical distribution of requirements under emergency conditions.

SEC. 10. *Claimancy.* The Secretary shall prepare plans to claim materials, manpower, equipment, supplies and services needed to carry out assigned responsibilities and other essential functions of the Department, from the appropriate agency and work with such agencies in developing programs to insure availability of such resources in an emergency.

SEC. 11. *Stockpiles.* The Secretary shall assist the Office of Emergency Planning in formulating and carrying out stockpiling of strategic and critical materials and survival items. The Secretary shall also plan and direct the procurement, storage, maintenance, inspection, survey, distribution, and utilization of essential supplies and equipment for emergency health services.

SEC. 12. *Research.* Within the framework of Federal research objectives, the Secretary shall supervise or conduct research in areas directly concerned with carrying out emergency preparedness responsibilities for health, education, and welfare programs. With respect to the emergency health and welfare services assignment, this is defined as, but not limited to (1) development of medical means for the prevention and care of casualties (including those from thermonuclear weapons, radiation exposure, and biological and chemical warfare, as well as from other weapons); (2) research in preventive medicines, basic biology and environmental sanitation directed to maintaining the health of noncasualty population; (3) pre-attack and post-attack target research in health services; (4) protection of resources and protocol essential to carrying out long-term basic and applied research in the post-attack period; and (5) the development of techniques for the most efficient utilization of civilian health manpower. Designate representatives for necessary ad hoc or task force groups and provide advice and assistance to other agencies in planning for research in areas involving the Department's interest.

SEC. 13. *Functional Guidance.* The Secretary, in carrying out the functions assigned in this order, shall be guided by the following:

(a) *Interagency cooperation.* The Secretary shall assume the initiative in developing joint plans for the coordination of emergency civilian health services and welfare services programs of those departments and agencies which have responsibility for any segment of such activities. He shall utilize to the maximum those capabilities of other agencies qualified to perform or assist in the performance of assigned functions by contractual or other agreements.

(b) *Presidential coordination.* The Director of the Office of Emergency Planning shall advise and assist the President in determining policy for, and assist him in coordinating the performance of functions under this order with the total national preparedness program.

(c) *Emergency planning.* Emergency plans and programs, and emergency organization structure required thereby, shall be developed as an integral part of the continuing activities of the Department of Health, Education, and Welfare on the basis that it will have the responsibility for carrying out such programs during an emergency. The Secretary shall be prepared to implement all appropriate plans developed under this order. Modifications and temporary organization changes, based on emergency conditions, will be in accordance with policy determination by the President.

SEC. 14. *Emergency Actions.* Nothing in this order shall be construed as conferring authority under Title III of the Federal Civil Defense Act of 1950, as amended, or otherwise, to put into effect any emergency plan, procedure, policy, program, or course of action prepared or developed pursuant to this order. Such authority is reserved to the President.

SEC. 15. *Redelegation.* The Secretary is hereby authorized to redelegate within the Department of Health, Education, and Welfare the functions hereinabove assigned to him.

SEC. 16. *Prior Actions.* To the extent of any inconsistency between the provisions of any prior order and the provisions of this order, the latter shall control. Emergency Preparedness Orders Nos. 4 and 5 (heretofore issued by the Director, Office of Civil and Defense Mobilization) (26 F.R. 656–658), are hereby revoked.

JOHN F. KENNEDY.

THE WHITE HOUSE, *February 16, 1962.*

[F.R. Doc. 62–1807; Filed, Feb. 19, 1962; 10:47 a.m.]

MEDICAL STOCKPILE

Senator MAGNUSON. Let us go to page 3. I think the committee is fairly cognizant of the change in this whole approach of the Department of Health, Education, and Welfare to this particular item.

Dr. HUNDLEY. Yes, sir.

Senator MAGNUSON. We come to the medical stockpile. You say there it consists of—

bulk materiel stored in 24 depots and 1,930 civil defense emergency hospitals located at cerefully selected sites throughout the country. An additional 750 hospitals authorized in fiscal year 1962 are in the process of component procurement and functional assemblage. The Public Health Service program of inspection of civil defense emergency hospitals, conducted through contract with the General Services Administration, is designed to correct existing deficiencies and establish quality control measures to prevent their occurrence.

How much is that item, or is it just an explanation of the stockpile?

TOTAL BUDGET REQUEST

Dr. HUNDLEY. The total budget request was $40 million for the medical stockpile program.

Senator MAGNUSON. The total?

Dr. HUNDLEY. That includes new procurement for the 750 hospitals and all items related to maintenance, inspection, and replacement of deteriorated stocks, and so on.

HOUSE REDUCTION

Senator MAGNUSON. The House says you only need $5 million.

Dr. HUNDLEY. Yes, sir.

Senator MAGNUSON. What do you envision you have to do over and above the $5 million?

Dr. HUNDLEY. In the first place, it is not entirely clear to us, Mr. Chairman——

Senator MAGNUSON. Let us take the procurement of items. What other items do you have to get?

Dr. HUNDLEY. There are some tables in the back of my statement, Mr. Chairman.

Senator MAGNUSON. Let us get at them. In the justifications?

Dr. HUNDLEY. In my printed statement.

Senator MAGNUSON. In this statement?

Dr. HUNDLEY. Yes, sir. In the back.

Mr. KELLY. Mr. Chairman, you will note that with the $5,500,000 the House made available, we would conclude that none of it—and this is in accord with the House report—would be available for any procurement, and we had proposed——

Senator MAGNUSON. In other words, there would be no further procurement?

Mr. KELLY. No further procurement.

Senator MAGNUSON. Other than what you now have?

Dr. HUNDLEY. No new procurement and no replacement of deteriorated stocks. There would be none under the House provision.

Senator MAGNUSON. Is the bulk of the $36 million that is cut, is that for procurement?

Mr. KELLY. $31,250,000 is for procurement.

Senator MAGNUSON. What items would that be?

Dr. HUNDLEY. For new procurement?

Senator MAGNUSON. Yes. We are talking about $31 million for new procurement and replacing of deteriorated items in the stockpile.

MOVABLE EMERGENCY HOSPITALS

Dr. HUNDLEY. It includes funds for 750 new 200-bed emergency hospitals.

Senator MAGNUSON. 750. They are not mobiles? They are emergency?

Dr. HUNDLEY. Emergency type.

Senator MAGNUSON. Are they mobile?

Dr. HUNDLEY. Pre-positioned, but can be moved any place.

Senator MAGNUSON. How many of those do we have now?

Dr. HUNDLEY. We have 1,930 plus 750 currently being procured.

Senator MAGNUSON. This is for 750 more?

Dr. HUNDLEY. This would be 750 more, which would bring the total to 3,430.

Senator MAGNUSON. Is that the end?

Dr. HUNDLEY. No, sir.

Senator MAGNUSON. How many more do you need?

Dr. HUNDLEY. Our goal eventually, to meet current strategic assumptions, is 9,500.

Senator MAGNUSON. One-third of the program?

Mr. KELLY. Yes, sir. Approximately.

EQUIPMENT AND SUPPLIES FOR EMERGENCY HOSPITALS

Senator MAGNUSON. All right. What else will it include?

Dr. HUNDLEY. It will include $3 million to supplement and rehabilitate, that is, to place fresh stocks of equipment and supplies in some 400 of the emergency hospitals we already have.

Senator MAGNUSON. What is the nature of the stocks? Drugs?

Dr. HUNDLEY. It is tape that won't stick and cans that develop holes, and ether evaporates from it; generators that don't work; anesthesia machines in which rubber tubing deteriorated, and quite a variety of items. You appreciate some of these materials were purchased 10 years ago.

Senator MAGNUSON. Does it have anything to do with the blood bank?

Dr. HUNDLEY. No, sir; not directly, except that there are blood derivatives in these units.

Senator MAGNUSON. You have to constantly replace that.

Dr. HUNDLEY. The hospitals include some supplies of blood plasma, serum, albumin and items of that nature which deteriorate. Antibiotics also deteriorate with time.

Senator MAGNUSON. How much would you say that amount would be, $3 million?

Dr. HUNDLEY. $3 million for 400 existing hospitals.

Senator MAGNUSON. What do the 750 emergency hospitals now cost?

Dr. HUNDLEY. They cost $25,500,000.

Senator MAGNUSON. So that is $28 million.

Dr. HUNDLEY. Yes.

Senator MAGNUSON. And you have 3 million more?

Dr. HUNDLEY. $2.750 million, I believe.

Senator MAGNUSON. Yes. What is that for?

REPLACEMENT OF DETERIORATED BULK STOCKS IN DEPOTS

Dr. HUNDLEY. That is to replace deteriorated bulk stocks in the 24 depots where we maintain our bulk stocks. It represents only a beginning in replacing deteriorated stocks in the stockpiles which have accumulated over a period of years.

Senator MAGNUSON. Define for the record what you mean by "a bulk stock." What would be the nature of the items involved?

Dr. HUNDLEY. The medical stockpile consists of two kinds of things. The emergency hospitals are located in communities ready for use if they are needed. The 24 depots contain the backup of expendable supplies. The 1930 emergency hospitals contain expendable supplies sufficient only for 3 or 4 days of operation. Backup supplies in the depots would be used to supplement the limited expendable supplies in the prepositioned emergency hospitals.

LOCATION OF DEPOTS

Senator MAGNUSON. Put in the record where these deopts are located.

Dr. HUNDLEY. Yes, sir.

Senator MAGNUSON. It is all right to do that, is it not?

Dr. HUNDLEY. Yes, sir.

(The information referred to follows:)

Twenty-four depots are located in the following States:

	Number		*Number*
Massachusetts	1	Ohio	1
New York	2	Iowa	1
Pennsylvania	4	Missouri	1
New Jersey	1	Nebraska	1
Virginia	1	Texas	1
Mississippi	1	Utah	1
Tennessee	1	California	2
Illinois	2	Washington	1
Indiana	1		
Michigan	1	Total number of depots	24

RENT FOR STORAGE SPACE

Senator MAGNUSON. Do you rent storage space, or put it in Government storage?

Dr. HUNDLEY. It is mainly in Government storage space managed by the General Services Administration.

Senator MAGNUSON. It has it available?

Dr. HUNDLEY. The depots are mainly in Government space, some free and some rented.

Senator MAGNUSON. Is that all of the 24?

Dr. HUNDLEY. The 24 depots. Yes, sir.

Senator MAGNUSON. They are all in Government buildings?

Dr. HUNDLEY. Mostly, yes, sir; mainly managed by the General Services Administration.

Senator MAGNUSON. So we do not have to pay rent for them?

Dr. HUNDLEY. Yes. Some of them we do pay rent and other charges.

Senator MAGNUSON. Do you mean you pay rent to the General Services Administration?

Dr. HUNDLEY. Yes, sir.

Senator MAGNUSON. But you don't pay rent.

Dr. HUNDLEY. Not to a private corporation, so far as I know.

Mr. BRUNSON. There are a few commercially leased sites which are leased through the General Services Administration and occupied by our organization and others, and we pay a pro rata share.

Dr. HUNDLEY. But our payment is always to the General Services Administration, I believe.

Mr. BRUNSON. Yes, sir.

LOCATION OF EMERGENCY HOSPITALS

Senator MAGNUSON. Where are these so-called mobile hospitals set up—the hospitals themselves?

Dr. HUNDLEY. They are not set up generally, except a few for training purposes. They are stored.

Senator MAGNUSON. They are in storage too and they can be whipped out quickly?

Dr. HUNDLEY. In general they are stored very close to the point where they would be expected to be used.

Senator MAGNUSON. What kind of buildings do we use to store those? Government buildings?

Dr. HUNDLEY. They are in quite a variety of buildings. I have the exact breakdown, but the most frequent kind of place is a health facility like a hospital or clinic.

Senator MAGNUSON. Do we pay rent for those?

Dr. HUNDLEY. No, sir; we do not.

Senator MAGNUSON. They are just there?

Dr. HUNDLEY. The local community has to arrange to take care of them.

Senator MAGNUSON. But it might be stored in a hospital unit?

Dr. HUNDLEY. Yes, some of them. Or it might be in a courthouse. Many of them are in schools, and public buildings of various sorts.

SUPPLIES AND EQUIPMENT

Senator MONRONEY. Are these stocks all prepared?

Dr. HUNDLEY. Yes, sir. They are complete.

Senator MONRONEY. Ready to go?

Dr. HUNDLEY. As soon as the equipment and supplies can be unpacked. A team of trained people can do it in 4 hours.

SERVICES OF OTHER AGENCIES

Senator SALTONSTALL. May I ask two questions. What do you mean by, "services of other agencies"? The House cut you down in half on that. The chairman brought out you have supplies and equipment. Of the $36 million that was cut out, it comes out of four items: Transportation of things—and, of course, if you do not buy anything you do not have transportation; services of other agencies, which they cut by half; and equipment and supplies.

What are the services of other agencies?

Mr. KELLY. The General Services Administration serves as the agent of the Public Health Service in the conduct of the maintenance of the supply depot operation. We pay them to perform the work which is needed in the maintenance of the basic inventory and warehousing operation. So this reduction in the amount of funds available to pay the General Services Administration is for that activity.

TESTING OF ANTIBIOTICS

Dr. HUNDLEY. Also it includes some other things, like payments to test antibiotics which may be out of date, or materials may be deteriorated beyond usability. We contract for these services wherever we can find the capability.

Senator SALTONSTALL. What we have to determine is how much of this $13,800,000 and $17,500,000 we want to put back. Is that correct? And you will be glad to take whatever we put back in?

Dr. HUNDLEY. Obviously, sir, we will take whatever Congress sees fit to give us.

Senator SALTONSTALL. Yes; but it is a question of a buildup of these emergency supplies in these emergency hospitals. That is what it amounts to.

Dr. HUNDLEY. I think I could help to clarify how we would see this.

Senator SALTONSTALL. With the chairman's permission I would be very interested in having that.

Senator MAGNUSON. Surely. Go ahead.

APPLICATION OF REDUCTION IN REQUEST

Dr. HUNDLEY. In the first place, we made it clear, I hope, that we feel the entire request is fully justified in view of the international situation in which we find ourselves, and in view of the fact that we are a long way from having what we feel we need. However, assuming an amount is to be appropriated which is less than the $41.5 million, we would look at it in this way:

NEW HOSPITALS

The first item we think would go in whole or in part would be the 750 new hospitals. I say this not because we do not think they are needed, but because in part it is a strategic decision as to whether we need these now, or next year, or never. This decision is based on things over and above strictly health considerations, such as the international situation. This is something that could be postponed. You are probably aware last year was the first time since 1957 that we procured any

new hospitals. So we believe this item should be at the top of the list, in whole or in part, if a reduction is to be made.

Senator MONRONEY. Could I ask a question there? Are these existing ones, the ones that have been procured this year, somewhat geographically located, and you would merely place the new ones to reduce the expense of the present hospitals now serving?

Dr. HUNDLEY. I want to be clear on this. The 1,930 we already have, almost every one of them are already located in communities.

Senator MONRONEY. All through the 50 States?

Dr. HUNDLEY. All through the 50 States, the Virgin Islands, and Puerto Rico.

Senator MONRONEY. That would mean a greater density of them if we gave you the increase or increment?

Dr. HUNDLEY. The 750 new hospitals now being procured and put together, would be used to fill gaps and supplement capability, depending on the need of the different target areas and communities.

AVAILABILITY OF MEDICAL SERVICES AND DRUGS

Senator MONRONEY. Let me ask a simple question. What is the difference in mortality between the availability of medical services and drugs, and nonavailability? Supposing a strike occurs where there is no needed service available whatever, and where you do have a reasonable medical service?

Dr. HUNDLEY. I cannot honestly answer the question because we have never had an attack of the kind we are talking about here. There is no experience on which to give you an adequate answer. A sort of generic answer would come from the experience of the military forces in World War II compared to World War I or say the Crimean War or the Civil War. The effect of good medical and surgical services is very, very striking in reducing mortality. I cannot give you the precise figures.

CHANCES OF SURVIVAL

Senator MONRONEY. If an estimate is available, I wish you would put it in the record. I have seen printed statements making careless estimates that the chances of survival are on a ratio of 10 to 1, if you have adequate medical treatment, as compared with the absence of medical treatment.

(The information referred to follows:)

Table showing reduction in mortality rates following improved early and adequate medical care:

Percent mortality among wounded in action of total wounded in action

Crimean War	16.7
World War I	8.2
World War II	4.5
Korean War	3.6

Source: "The Cost of Delayed Medical Care," John M. Howard, M.D., and Michael E. DeBakey, M.D.; Military Medicine, April 1956, pp. 343–357.

ATTACK PATTERN CASUALTIES

Dr. HUNDLEY. I can provide another type of answer to your question. Our whole plan is based on an attack pattern which would result in 60 million casualties out of a population of 180 million in this country. We estimate that about 40 million of those would die within a period of 6 months. There would be about 12 million killed outright and another 28 million that would die within 6 months. So you are dealing with attempts to save, or being able to save those who would not be killed outright, and the other 20 million who would be injured but probably would survive.

Senator MAGNUSON. Is this considered an allout attack?

Dr. HUNDLEY. This is a natural plan that has resulted from an assessment of the enemy's capabilities.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

Senator MAGNUSON. On the record.

REPLACEMENT OF DETERIORATED SUPPLIES

Dr. HUNDLEY. The second item would also relate to procurement, but this would relate to replacement procurement for deteriorated, out-of-date, nonusable supplies. We would place highest priority on funds to rehabilitate and replace deteriorated items in the hospitals already out on the firing line, if I may use that term.

Senator MAGNUSON. The 1930?

Dr. HUNDLEY. Yes, sir.

Senator SALTONSTALL. Would the chairman permit me to ask another question?

Senator MAGNUSON. Yes.

DISPOSITION OF DETERIORATED SUPPLIES

Senator SALTONSTALL. Dr. Porterfield stated last year concerning medical stockpile items nearing the end of their shelf life, that he has asked they be given to a charitable and nonprofit institution or institutions rather than be thrown away. Senator Allott asked that question. Referring now to that, are you making any progress, or doing anything about that?

Dr. HUNDLEY. No, sir; we are not.

Senator SALTONSTALL. Shouldn't you?

Dr. HUNDLEY. No, sir. We have given it some very careful study and we simply do not feel it is feasible.

Senator SALTONSTALL. In other words, it is better to let them be wasted right on the shelf rather than be given to a State hospital, or a private hospital that could use those supplies?

Dr. HUNDLEY. In part we already do what you are suggesting. For example, we have about $5.5 million worth of antibiotics, vaccines, and sera which manufacturers hold for us and rotate before they get out of date. We eliminate deteriorating in this way. Most of the other materials which deteriorate would be too unusable. I am afraid we would be in serious difficulty if in our public institutions we were giving out second-rate drugs, or drugs in which there was a likelihood of reactions——

Senator SALTONSTALL. From the Government point of view it is better to let them be spoiled than to give away a second-rate material which might lead to an accident later for which the Government would be held responsible?

Dr. HUNDLEY. That is correct.

Senator SALTONSTALL. I get it.

Dr. HUNDLEY. And also from the practical standpoint, we have not had funds with which we could do it, even if it were feasible.

ROTATION OF DRUGS IN MANUFACTURERS' POOL

Senator MAGNUSON. Do the manufacturers take those and sell them to the public when they rotate them?

Dr. HUNDLEY. The manufacturer keeps a pool of which we have an identified part on call at any time, and keeps the pool fresh by rotating it.

Senator MAGNUSON. So he has a certain amount there that we own?

Dr. HUNDLEY. That is right.

Senator MAGNUSON. Which belongs to us.

DETERIORATED STOCKS IN DEPOTS

Dr. HUNDLEY. Always, in a fixed amount. As I said, we would give a high priority to replacing these deteriorated materials in the communities where these hospitals exist. Also we would give a high priority to replacing some of the deteriorated stocks in our 24 depots, although this I would say would be somewhat lesser in priority. From there on we begin to come down pretty much to the hard core and the bone of our program, as we see it. I can go on and indicate degrees of essentiality, if the chairman wishes it.

QUALITY INSPECTION AND REPLACEMENT PROGRAM

I do want to make one general observation. Leaving aside funds for procurement, and assuming that the House allowance would barely enable us to maintain our activities at the fiscal 1962 level, there are a number of programs which we have started, such as the quality inspection and replacement program you were reading about just a moment ago, Mr. Chairman, which we feel are very, very important, and essential as a means of keeping these supplies in a state always ready for use.

Senator SALTONSTALL. That ought to go at the top, shouldn't it?

Dr. HUNDLEY. Yes, that has been in the past a deficiency in the program, and we are very anxious to maintain these stocks better, keep them in better condition, to get rid of useless material, and to institute a program which would enable us to maintain these stocks in usable condition at all times.

Senator SALTONSTALL. May I ask one more question, Mr. Chairman?

Senator MAGNUSON. Yes. Go right ahead.

HOUSE BILL PROVISIONS

Senator SALTONSTALL. You would want the committee to rewrite the provisions that are in the House bill in order to permit you to buy equipment and so on. In other words, the House bill as it is

now written struck out the original language and left out all opportunity to buy any equipment, and simply allowed maintenance. So you would ask this committee, even if they put back a small amount of the funds, to rewrite the language of this section?

TRAINING AND COMMUNITY PREPAREDNESS PROGRAMS

Dr. HUNDLEY. If you put back the funds for new procurement, or for replacement procurement, then the House bill would have to be modified. Also, it would have to be modified in another way, because it does not provide for training and community preparedness programs to teach people how to use these hospitals. We believe this is essential. The language of the House could be interpreted to eliminate this part of our program. Whether the House intended this or not, we do not know.

Senator MAGNUSON. You could not train people to use these hospitals. The only people that could use them are people who were trained to assemble them and get the management together, is it not?

Dr. HUNDLEY. No, sir. It is much more than that.

Senator MAGNUSON. Do you mean the average doctor could not go in there and do what he should do?

Dr. HUNDLEY. Well, he could eventually, I suppose.

Senator MAGNUSON. He would have to have some further training than his medical training?

Dr. HUNDLEY. It is a little more complicated than this, as we see it. In the first place, a community must have a health plan, in which it would know how it is going to use its regular hospitals if they are still standing and its emergency hospitals. It must know which medical personnel are to go to the regular health installations and which would take over other health facilities including the emergency hospitals.

Senator MAGNUSON. All right. They have the plan.

PRACTICE OF MEDICINE UNDER DISASTER CONDITIONS

Dr. HUNDLEY. Secondly, they have to be trained for a very different kind of medicine from what is practiced in peacetime. A doctor in normal civilian practice usually has plenty of time to take care of his patients with hospitals having all kinds of diagnostic aids, specialists, and consultants, and so forth. What we are talking about is a disorganized disaster condition where you cannot practice this kind of medicine.

Senator MAGNUSON. How will you train him?

Dr. HUNDLEY. You have to do several things. It is not just training doctors. Nurses, veterinarians, dentists, pharmacists, medical corpsmen—all of those that have some capacity to do the things the doctor normally does must be trained to help in ways for which they are not normally trained.

Senator MAGNUSON. Is this your medical treatment program?

Dr. HUNDLEY. It is part of it. Yes, sir.

Senator MAGNUSON. How does that conflict with the civil defense program?

Dr. HUNDLEY. It does not conflict, sir. It is a part of it.

Senator MAGNUSON. It is just a part of it. In other words, your program is to teach them how to do it and their program is medical self-helf?

Dr. HUNDLEY. Oh, you are talking about medical self-help?

Senator MAGNUSON. Yes.

MEDICAL SELF-HELP PROGRAM

Dr. HUNDLEY. Medical self-help is not aimed at the physician or health worker, but aimed at the layman.

Senator MAGNUSON. But you have a program of medical self-help.

Dr. HUNDLEY. Yes.

Senator MAGNUSON. And so has civil defense.

Dr. HUNDLEY. Yes.

Senator MAGNUSON. Are they not duplications?

Dr. HUNDLEY. No, sir, they are not. The funds in the Department of Defense, OCD budget are for procurement of training kits and backup supplies, the physical units necessary for the training. The funds in our budget are for staff that are needed to work with the States and localities to get these courses organized, evaluate how effective they are, and to promote the program. Essentially our budget is for the personnel that are necessary from the Federal level to participate in the medical self-help program.

Senator MAGNUSON. So one complements the other. Is that it?

Dr. HUNDLEY. They are jointly planned together.

CONTROL OVER EXISTING INVENTORY

Senator MAGNUSON. The House says that the committee is not recommending funds for further acquisition until the Department has better control over its existing inventory. What do you have to say about that?

Dr. HUNDLEY. That is basically the point I was making a moment ago when I was discussing priorities. We have funds in our proposed budget for quality control, testing, inspection, replacement, and surveillance to improve control of what we now have. This is something to which we give a very high priority.

Senator MAGNUSON. But the House says you should wait a little bit with these funds until you get better control.

Dr. HUNDLEY. Mr. Chairman, last year was the first year we were delegated the responsibility for the medical stockpile. It became evident immediately that control of inventories was urgently needed and that much of the stock had deteriorated and required replacement. We have achieved an appreciable degree of control over current inventories, and have commenced a program for updating of materials. The stocks in the warehouses have been surveyed and realistic valuations determined. A large number of the prepositioned hospitals have also been inspected. We have accomplished to a substantial degree the purposes desired by the House committee.

Senator MAGUNSON. And they suggest you go a little slower on this until you get more of your ducks in a row.

Are there any other questions?

Senator SALTONSTALL. Yes. Off the record.

(Discussion off the record.)

MEDICAL SELF-HELP PROGRAM

Dr. HUNDLEY. Could I make one more point which concerns Mr. Pittman? We feel the medical self-help program is one of the most important things we have instituted in the civil defense area for many, many years. It is going very well thus far. We hope that Mr. Pittman's appropriation will not be cut so far that he could not provide the training kits which we have to have to keep the program going.

Senator MAGNUSON. At this point there will be placed in the record letters from Senators Hugh Scott and Joseph S. Clark, of Pennsylvania supporting the restoration of funds to this item.

(The letters referred to follow:)

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
August 8, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Appropriation,
New Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: The House, in passing H.R. 12711 (independent offices appropriation) drastically reduced from $41,445,000 to $5,500,000 the request of Public Health Service for the civil defense medical stockpile and related activities.

In the 10 years since this program was initiated, I am advised, roughly only one-fifth or $200 million of the total stockpile objective of $950 million has been achieved.

Accordingly, I wish to express to you and the members of your committee my conviction that the total request of the Public Health Service seems essential and well-merited and therefore has my support for full restoration.

I would appreciate the committee's approval in making this letter a part of the record of these hearings.

Sincerely,

HUGH SCOTT.

U.S. SENATE,
Washington, D.C., August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee of Senate Appropriations Committee, U.S. Senate, Washington, D.C.

DEAR MAGGIE: Enclosed is a letter from Congressman Frank M. Clark, representing the 25th Pennsylvania District, calling my attention to the drastic cut made by the House in HEW's request for funds for their civil defense medical stockpile activity.

You will note from the Congressman's letter that this is a matter of substantial importance to western Pennsylvania which, as you know, is presently suffering from substantial and chronic unemployment.

I would hope that you would feel able to restore some part of the cut made by the House in HEW's request for funds.

My understanding is that this matter will come before your subcommittee on Monday, August 6.

With kindest regards,

Sincerely yours,

JOE.
(Joseph S. Clark).

HOUSE OF REPRESENTATIVES,
Washington, D.C., August 1, 1962.

Senator JOSEPH S. CLARK, Jr.,
U.S. Senate, Washington, D.C.

DEAR JOE: The House today, in passing H.R. 12711, drastically cut HEW's request for funds for their civil defense medical stockpile activities.

Any support which you can exert toward even modest restoration of the cut would in my humble judgment be a service to our State and to all our fellow citizens throughout the Nation.

The present Public Health medical stockpile approximates $200 million whereas Public Health Service has adjudged a stockpile level of $950 million as necessary in the event of an attack on this Nation.

Very wisely, I believe, PHS seeks maximum protection for a portion of this inadequate stockpile by placing it in underground depots. Our State alone at this time has been favored by issuance of an invitation to bid from PHS, through GSA on developing two such underground facilities, each facility to cover 250,000 square feet of space.

Should the Senate fail to restore any of the requested funds to HEW the opportunity to develop these underground sites in Pennsylvania will be jeopardized, and the medical procurement program will come to a halt.

On Monday, August 6, 1962, I am advised, Senator Magnuson's Committee on Appropriations will take up this matter, among others.

I am confident you will do all you can, for which I extend my warm regards and deep thanks.

Sincerely yours,

FRANK M. CLARK,
Member of Congress.

COMMITTEE RECESS

Senator MAGNUSON. All right. The committee will recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:55 p.m., Monday, August 6, 1962, the subcommittee recessed until 10 a.m., Tuesday, August 7, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

TUESDAY, AUGUST 7, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:55 a.m., in room F–37, the Capitol, Hon. Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson, Ellender, Robertson, Monroney, Allott, Young, Kuchel, Cotton, and Saltonstall.

CIVIL SERVICE COMMISSION

STATEMENT OF JOHN W. MACY, JR., CHAIRMAN, ACCOMPANIED BY WARREN B. IRONS, EXECUTIVE DIRECTOR; ANDREW E. RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE; AND W. B. UHLENHOP, CHIEF, BUDGET AND FINANCE DIVISION

Senator MAGNUSON. The committee will come to order.

We have the Civil Service Commission here today, and its Chairman, Mr. Macy, is here.

You have a short statement, I see, Mr. Macy, and a letter. We will put your letter and summary justification in the record in full, which explains the items you have.

Mr. MACY. Yes, sir.

(The letter referred to follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., August 2, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate.

DEAR SENATOR MAGNUSON: This is in reply to your letter of July 27, 1962. We appreciate the opportunity to provide your subcommittee with information regarding the effects of the action taken by the Committee on Appropriations of the House on the several appropriations and funds of the Commission as provided in H.R. 12711, the independent offices appropriation bill, 1963.

The Commission has made a careful review of H.R. 12711 and Report 2050 accompanying the bill and has given attention to each item in the light of the recommendations of the committee. We appreciate the consideration given to our budget requests by the House committee and have determined that their action is acceptable to the Commission except for four items: (1) Salaries and expenses, (2) investigation of U.S. citizens for employment by international organizations, (3) payment to civil service retirement and disability fund, and (4) Government payment for annuitants, employees health benefits fund.

(*1*) *"Salaries and expenses" appropriation*

Page 6, line 11, $21,349,000; request change to $21,845,000 of which $3,153,000 shall be derived by transfer from the civil service retirement and disability

fund: The House bill provides the same amount for salaries and expenses as appropriated for fiscal year 1962, representing a decrease of $841,000 from the budget request. The increase requested in the budget was primarily to provide additional funds for certain workloads and to provide for the replacement of old and worn furniture and equipment prior to the move of the Commission's central office into a new building (Federal office building No. 9).

Based upon a careful analysis of the current status of workloads and trends in receipts, and in the light of economies we have been able to achieve in our operations, the Commission accepts the action of the House except for the budget request of $496,000 for new furniture and equipment. These funds should be provided prior to the move into the new building in order to avoid the expense of moving worn and substandard items which should be replaced.

Also, the budget request provided that administration of the civil service retirement system be financed out of the retirement fund by the transfer from that fund to the "Salaries and expenses" appropriation. The Commission believes that this represents a logical method of financing consistent with the financing of administrative expenses of social security, railroad retirement, and the Commission's group life insurance and health benefits programs. In accordance with our decision to request no increases for personal services, we are reducing the request for transfer from the retirement fund.

Accordingly, the Commission requests your committee to restore $496,000 of the $841,000 cut made by the House committee and to provide that $3,153,000 of the total authorized be derived by transfer from the civil service retirement and disability fund.

(2) Investigation of U.S. citizens for employment by international organizations

Page 7, line 4, $430,000; request change to $512,000: The House committee recommended $430,000 for this appropriation, the same as appropriated for 1962 and a reduction of $82,000 from the budget request. These funds are used primarily for investigations by the Civil Service Commission and the Federal Bureau of Investigation. The workloads are increasing and the Commission has no control over the number of requests received. Because of a lack of funds during the closing weeks of fiscal year 1962, it was necessary to backlog 136 of these cases costing approximately $48,000. There is every indication that receipts will continue at a level which, with the carryover from last fiscal year, will require at least the total amount requested. The Commission requests that your committee restore the full amount of the reduction made in this item by the House committee.

(3) Payment to civil service retirement and disability fund

Page 8, delete lines 4 through 9: This item would provide for the payment of $41,959,000 to the civil service retirement and disability fund for financing certain annuity benefits and increases. Since legislation (Public Law 87–114) was passed in 1961 making these annuities and increases permanent without annual appropriations to cover the additional cost and since the administration has determined that additional appropriations to the fund are not required at this time, the Commission requests that the item be deleted.

(4) Government payment for annuitants, employees health benefits fund

Page 8, line 15, $3,000,000; request change to $5,400,000: The recommendation of the House committee provides $3 million for this item, a reduction of $2,400,000 from the budget request. These funds are used to pay the Government's share of the cost of the Federal employees health benefits program for those participants who have retired since the beginning of the program and for the survivors of deceased employees and annuitants. The amount required increases from year to year as the number of covered annuitants and survivors increase. Based on our most current information, there is every indication that payments to cover contracts of the insurance carriers will require the full amount requested for fiscal year 1963. Therefore, the Commission requests that your committee restore the full amount of the reduction made in this item.

I am advised that a hearing has been scheduled for the Commission before your committee on August 7. We shall be happy to discuss these matters at that time in as much detail as you may desire.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

U.S. Civil Service Commission—Justifications of estimates of appropriations for fiscal year 1963

Appropriation or fund title	Fiscal year 1962	Fiscal year 1963	Changes (+ or −) 1963 estimates over 1962
Salaries and expenses	$21,349,000	[1] $22,190,000	+$841,000
Investigation of U.S. citizens for employment by international organizations	430,000	512,000	+82,000
Annuities under special acts	2,248,000	2,113,000	−135,000
Government payment for annuitants, employees health benefits fund	4,500,000	5,400,000	+900,000
Government contribution, retired employees health benefits fund	19,000,000	9,200,000	−9,800,000
Payment to civil service retirement and disability fund	44,637,000	0	−44,637,000
Administrative expenses, employees health benefits fund (limitation only)	1,074,000	1,527,000	+453,000
Administrative expenses, employees life insurance fund (limitation only)	260,000	265,000	+5,000

[1] Of this amount $3,275,000 shall be derived by transfer from the civil service retirement and disability fund.

GENERAL STATEMENT

Mr. MACY. Thank you, Mr. Chairman. I appreciate the opportunity to appear before you to discuss the budget request of the Civil Service Commission for fiscal year 1963. The Commissioners have reviewed the actions of the House in H.R. 12711 and the recommendations contained in the House committee's Report No. 2050 in relation to appropriations in support of Commission programs. After review we accept House action on all but four items. In the interest of conserving your time I will center my remarks on these items.

ITEMS IN RESTORATION REQUEST

Senator MAGNUSON. Yes. Very good.

Mr. MACY. (1) Salaries and expenses appropriation; (2) investigation of U.S. citizens for employment by international organizations; (3) payment to civil service retirement and disability fund; and (4) Government payment for annuitants, employees health benefits fund.

SALARIES AND EXPENSES

First, with respect to salaries and expenses, the House allowed $21,349,000, the same as appropriated for fiscal year 1962 and a reduction of $841,000 in the fiscal year 1963 budget request.

Senator MAGNUSON. For the record, let us put this in.

APPROPRIATION, 1962, AND ESTIMATES, 1963

The 1962 appropriation for salaries and expenses was $21,349,000. The budget estimates for 1963 were $18,915,000, plus trust funds of $3,275,000.

Mr. MACY. That is correct.

Senator MAGNUSON. The House recommended $21,349,000.

Mr. MACY. Yes.

Senator MAGNUSON. Which is the amount of 1962.

Mr. MACY. That is correct.

Senator MAGNUSON. How do the trust funds figure into that?
Mr. MACY. The trust funds figure, as I will explain in a moment.
Senator MAGNUSON. All right.

NEW RESPONSIBILITIES

Mr. MACY. During the past 18 months, the Commission, under direction from President Kennedy, has assumed new responsibilities in certain areas of personnel management. Some of these are:

(1) A new workload of appeals from nonveterans under Executive Order 10988;

(2) More comprehensive inquiry into agency manpower utilization activities; and

(3) Participation in the President's Commission on the Status of Women.

In addition, increased workloads have been experienced in postmaster examining and investigations and through the implementation of the new Federal employment statistical program started last year.

IMPROVEMENT IN ORGANIZATION AND ADMINISTRATION

In an effort to perform these added responsibilities effectively and to improve and strengthen existing programs without increasing personnel strength, Commission management has taken certain steps to improve organization and reduce administrative overhead. For example, we closed the Cincinnati regional office, placing the States of Kentucky, Indiana, and Ohio under the Chicago office and the State of West Virginia in the Philadelphia region. During recent months we have completed reorganization in the 10 remaining regional offices by combining the recruiting, examining, and inspections functions in a single division and by providing more effective operations and leadership through the assignment of civil service representatives at 50 selected locations.

FURNITURE AND EQUIPMENT, FEDERAL OFFICE BUILDING NO. 9

In the light of the operational and organizational economies achieved, the Commission can accept the House action of no increase in the salaries and expenses appropriation for 1963 except for one item—the budget request of $496,000 to provide new furniture and equipment for the new building, Federal Office Building No. 9, to be occupied by mid-1963. In recent years the Commission has requested funds to replace outmoded furniture and equipment in its central office. The House Appropriations Committee has, in the past, recommended that replacement be delayed until the new building is ready for occupancy. Approximately 50 percent of the total requirement for furniture and miscellaneous equipment for the new building would be purchased to replace substandard items now in use. The other 50 percent would be moved to the new building by the General Services Administration. In order to have the equipment available upon occupancy and thus save the expense of moving the undesirable items, it is necessary that funds be available early in this fiscal year so that purchase orders can be placed 90 days in advance.

In summary, Mr. Chairman, the Commission requests favorable consideration of the restoration of $496,000 on that one furniture item.

DATE OF OCCUPANCY

Senator MAGNUSON. When do you expect to move into that building?

Mr. MACY. The General Services Administration indicates the building will be completed some time between July and October of next year, so that we are in a position of having to purchase this furniture before then.

QUESTION OF SUPPLEMENTAL

Senator MAGNUSON. Why would you not put that in a supplemental in January or February? Why not put it in the first appropriation supplemental bill when you would have a better date?

Mr. MACY. The date appears to be in the first——

Senator MAGNUSON. How long have they been building that?

Mr. MACY. Longer than I care to recall.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

Mr. MACY. I understand from the Administrator of the General Services Administration that he has a firm date.

Senator MAGNUSON. I think you would be better off until you get a firm date and make replacements.

Mr. MACY. It would not be possible if we follow the pattern this year.

Senator MAGNUSON. As we show up in January, I have never seen it to fail, there is always an appropriation bill with some items in it for the different departments, and these are perfectly legitimate items for a supplemental when you are moving into a new building.

Mr. MACY. But our feeling is if it could be appropriated at this time we would have better planning.

Senator MAGNUSON. We will see what the committee thinks about it.

FINANCING RETIREMENT SYSTEM (TRUST FUND)

Mr. MACY. On the item you raised, about financing the Commission recommended in its 1963 budget request that the administration of the civil service retirement system be financed out of the civil service retirement and disability fund instead of through direct appropriation as in the past. It was proposed to accomplish this by providing that $3,275,000 of the "Salaries and expenses" appropriation be derived by transfer from the retirement fund. This is a desirable change in financing since it conforms to the practice followed in similar programs such as social security and railroad retirement. In fact, the Commission presently finances its administrative operations for the group life insurance and health benefits programs in this fashion. In view of these precedents, the Commission recommends that your committee give favorable consideration to financing the administration of the civil service retirement system in this manner.

ADMINISTRATIVE COST RECOMMENDATION DENIED

Senator MAGNUSON. Let us get this straight. The $3,275,000 is the administrative cost of this?

Mr. MACY. Of the retirement program.

Senator MAGNUSON. So instead of appropriating it, you are taking it out of the fund?

Mr. MACY. That was the recommendation. The House action was not to do that.

HOUSE SUGGESTION

Senator MAGNUSON. They say, and I quote from their report, "The proposal to tap the fund is denied," and they suggest that this is a better way to do it.

Mr. MACY. The suggestion is this is a better way to do it and it conforms with the practice in administering programs of this type which are financed through funds.

Senator MAGNUSON. This would come technically from the funds paid in by the employees?

Mr. MACY. And by the agencies.

Senator MAGNUSON. The Government has not paid any in either, has it?

Mr. MACY. The agencies are paying an equivalent to the 6½ percent contributed by the employees through annual appropriations. This has been the case since 1956, when an amendment provided that requirement. So this would be paying for administrative operations out of employee——

Senator MAGNUSON. If you do not have it, put this in the record. What would be the percentage administrative expense, percentagewise, of the fund?

Mr. MACY. Of the fund?

Senator MAGNUSON. It would be very small, would it not?

Mr. UHLENHOP. Infinitesimal.

PERCENTAGE OF FUND USED FOR ADMINISTRATION

Senator MAGNUSON. Why not put that in the record to show that the administration of the fund is right down to a minimum?

Mr. IRONS. About three-hundredths of 1 percent.

Senator MAGNUSON. And you are tapping the fund for a very small amount. Percentagewise, as you say, it is infinitesimal.

Mr. MACY. The fund at the moment is about $12 billion.

Mr. IRONS. Three-hundredths of 1 percent.

Mr. MACY. We are asking for roughly $3 million.

Senator MAGNUSON. I think you will find the administration of this fund is so much lower than the administration cost of other funds, it would be justifiable and would be one of the reasons why you could tap it for this small amount.

Mr. MACY. We will provide a specific percentage figure on that.

Senator MAGNUSON. Yes.

(The information referred to follows:)

The percentage relationship of fiscal year 1963 estimated administrative expenses ($3,153,000) to the balance in the fund as of June 30, 1962 ($12,084,622,000) is twenty-six one-thousandths of 1 percent.

REDUCTION IN SALARIES AND EXPENSES

Mr. MACY. In accordance with our decision not to request restoration of funds for personal services, the amount required for administration of the retirement system has been reduced. Accordingly, it is recommended that $21,845,000 be provided for salaries and expenses of which $3,153,000 be derived by transfer from the civil service retirement and disability fund.

It is a somewhat smaller figure in view of the acceptance of the House reduction.

TOTAL RESTORATION REQUEST UNDER SALARIES AND EXPENSES

Senator MAGNUSON. What is the total on the salaries and expenses above the House $21,349,000, that you are asking in that category, including the $3 million tap?

Mr. MACY. $496,000, which is represented by that furniture item.

Senator MAGNUSON. I'm sorry. I did not catch that. The furniture was what?

Mr. MACY. $496,000. The entire difference that is requested here, above what was approved by the House, is for the furniture.

LANGUAGE REQUEST

Senator MAGNUSON. The furniture, and then the language?

Mr. MACY. Then the language with respect to——

Senator MAGNUSON. On the difference there of tapping the fund.

Mr. MACY. Yes.

That is correct.

Senator MAGNUSON. All right.

INVESTIGATION FOR INTERNATIONAL EMPLOYMENT

Mr. MACY. The second item we wish to appeal is the appropriation "Investigation of U.S. citizens for employment by international organizations." The House action with respect to this item allowed $430,000, the same as the 1962 appropriation and $82,000 less than the budget request. These funds are used primarily for investigations conducted by the Civil Service Commission and the Federal Bureau of Investigation.

Senator MAGNUSON. I think you can put that in the record. It is an old story.

Mr. MACY. It is a familiar story.

Senator MAGNUSON. It is a familiar story with us and we will take a look at it.

NO CONTROL OF WORKLOAD BY CSC

Mr. MACY. The Commission has absolutely no control over the workloads in this program. They result from requests for employment of U.S. citizens by the United Nations and other international organizations. There has been a consistent upward trend in the number of these requests. The number of investigations have doubled since 1956.

The prompt processing of these investigations is an important factor in determining whether or not the United States is properly

represented on the staffs of the international organzations of which it is a member. However, because of lack of funds during the closing weeks of fiscal year 1962, it was necessary for the Commission to backlog 136 cases costing approximately $48,000 to complete.

ADDITIONAL INTERNATIONAL ORGANIZATIONS

Senator MAGNUSON. I think you ought to put in the record also here, if you haven't already, any additional international organizations, since last year, that is, fiscal year 1962.

Mr. MACY. I do not believe there are any, but I will include it, if there are.

Senator MAGNUSON. All right.

Mr. MACY. May I invite your attention to the final sentence in the second paragraph? I think it is pertinent.

Senator ALLOTT. On what page?

BACKLOG OF INVESTIGATIONS OF U.S. CITIZENS

Mr. MACY. The second paragraph on page 4 in the center, under the second item here. This is with respect to the investigation of U.S. citizens. Our experience during the past year has been one of an increased workload in these cases. Because of the lack of funds during the closing weeks of fiscal year 1962, it was necessary for the Commission to backlog 136 cases costing approximately $48,000 to complete. The processing of these cases in 1963 together with a 15-percent increase in new cases estimated by the State Department will certainly require the full amount of the budget request, if not more before the end of the fiscal year. Therefore, I strongly urge that this committee recommend the full amount of $512,000, as requested for this vital program.

Senator MAGNUSON. If there has not been an increase in these international organizations, or the creation of new ones, let's say—and, of course, this is not your responsibility.

Mr. MACY. This is a State Department responsibility.

Senator MAGNUSON. Yes. Is it because they are adding more people to the present organization?

PRESENT ORGANIZATIONS EXPANDING

Mr. MACY. The present international agencies, as I understand it, Mr. Chairman, are expanding in size, and there is a decided effort to assure that there is U.S. representation in these agencies to the extent that it is permitted. This is the basis for the 15-percent increase.

Senator MAGNUSON. Of course, they may be expanding in size through no fault of the United States, which is only one member.

Mr. MACY. That is correct.

Senator MAGNUSON. It may be the rest of them are expanding and we have to follow along.

Mr. MACY. That is right.

Senator MAGNUSON. But there does not seem to be any end to these things, does there?

Senator ALLOTT. There is no end to it. They keep getting bigger and bigger every year.

Senator MAGNUSON. But this Commission had to do the job regardless.

Mr. MACY. In this appropriation we are a service agency for the international organization.

Senator MAGNUSON. In this matter we had better take it up with the State Department when they come up and see what happens.

NOT INVESTIGATION OF FOREIGNERS

Senator ALLOTT. To make the record clear, this is not investigation of foreign people, but an investigation of U.S. nationals who are to serve with international agencies.

Mr. MACY. That is correct, sir. Right. These are American citizens who have applied.

Senator ALLOTT. The reason why I say that is because so many times in the discussion of this on the floor of the Senate and other places the chairman and I have gotten into the situation where people think we are investigating foreigners and carrying out an investigative process in foreign places. There is a confusion about this function.

Mr. MACY. These are strictly U.S. citizens who have applied for employment.

FIFTEEN PERCENT WORKLOAD INCREASE

SenatorALLOTT. Let me ask you one question. Where do you get the 15 percent?

Mr. MACY. It is a figure supplied to us by the State Department. It is their estimate of the change in workload anticipated for 1963. Each year we receive a letter from the Secretary of State indicating what the anticipated volume of the cases is going to be under this program from which we formulate our estimate for appropriation. Shall I proceed, sir?

LIST OF ORGANIZATIONS

Senator ALLOTT. One other question, Mr. Macy. This would include what organizations? Let us put it in the record.

Mr. MACY. I can provide for the record the full list of organizations, if you wish.

Senator ALLOTT. How many of them are there? Do you know?

Mr. UHLENHOP. About 50, I think.

Mr. MACY. About 50 of these agencies.

Senator ALLOTT. I think it would be a good idea to put that in the record.

Mr. MACY. I believe we have it right here and can provide it as an exhibit.

Senator ALLOTT. All right. Fine.

Mr. MACY. The chairman asked that we provide the names of any additional organizations since last year. I do not believe there are any, but if so, we will supplement the record with them.

(The information referred to follows:)

There is one new international agency since last year. It is the Organization for Economic Cooperation and Development, Paris, France.

Senator ALLOTT. But this list you have just handed me we will insert in the record at this point. That is essentially the list?

Mr. MACY. It is a current list.

(The information referred to follows:)

INTERNATIONAL ORGANIZATIONS CONSIDERED BY THE DEPARTMENT OF STATE AS PUBLIC INTERNATIONAL ORGANIZATIONS INSOFAR AS COVERAGE UNDER EXECUTIVE ORDER 10422, AS AMENDED, IS CONCERNED

United Nations Seretariat:
Voluntary program of the United Nations:
- United Nations International Children's Fund.
- United Nations High Commissioner for Refugees.
- United Nations Relief and Works Agency for Palestine Refugees in the Near East.

Specialized agencies of the United Nations:
- Food and Agricultural Organization, Rome, Italy.
- International Civil Aviation Organization, Montreal, Canada.
- International Labor Organization, Geneva, Switzerland.
- United Nations Educational, Scientific, and Cultural Organization, Paris, France.
- Universal Postal Union, Bern, Switzerland.
- World Health Organization, Geneva, Switzerland.
- World Meteorological Organization, Geneva, Switzerland.
- International Telecommunication Union, Geneva, Switzerland.

Inter-American organizations:
- Pan-American Union, Washington, D.C.
- Pan-American Health Organization, Washington, D.C.
- Inter-American Defense Board, Washington, D.C.
- Inter-American Children's Institute.
- Inter-American Indian Institute, Mexico, D.F.
- Inter-American Institute of Agricultural Sciences, Turrialba, Costa Rica.
- Pan-American Institute of Geography and History, Mexico, D.F.
- Pan-American Railway Congress Association, Buenos Aires, Argentina.
- Postal Union of the Americas and Spain, Montevideo, Uruguay.
- Inter-American Development Bank, Washington, D.C.

Bilateral commissions:
- International Pacific Salmon Fisheries Commission, New Westminster, British Columbia, Canada.
- International North Pacific Fisheries Commission, Vancouver, British Columbia, Canada.
- International Pacific Halibut Commission, Seattle, Wash.

Multilateral commission: Inter-American Tropical Tuna Commission, San Diego, Calif.

Other international organizations:
- Intergovernmental Committee for European Migration, Geneva, Switzerland.
- The Interparliamentary Union, Geneva, Switzerland.
- Intergovernmental Maritime Consultative Organization, London, England.
- International Union for the Protection of Industrial Property, Bern, Switzerland.
- International Bureau for the Permanent Court of Arbitration, The Hague, Netherlands.
- International Bureau of Weights and Measures, Sevres, France.
- International Council of Scientific Unions and Associated Unions, Brussels, Belgium.
- International Hydrographic Bureau, Monte Carlo, Monaco.
- International Sugar Council, London, England.
- International Whaling Commission, London, England.
- International Wheat Council, London, England.
- International Commission for the Northwest Atlantic Fisheries.
- Permanent International Association of Navigation Congresses, Brussels, Belgium.
- South Pacific Commission, Noumea, New Caledonia.
- Central Commission for the Navigation of the Rhine, Strasbourg, France.
- International Cotton Advisory Committee, Washington, D.C.

International Wool Study Group, London, England.
International Rubber Study Group, London, England.
General Agreement on Tariffs and Trade, Geneva, Switzerland.
International Monetary Fund, Washington, D.C.
International Bank for Reconstruction and Development, Washington, D.C.
International Finance Corporation, Washington, D.C.
International Atomic Energy Agency, Vienna, Austria.
Organization for Economic Cooperation and Development, Paris, France.

DELETION OF LANGUAGE ON ANNUITY BENEFITS

Mr. MACY. Third, it is requested that lines 4 through 9 on page 8 of the bill be deleted. This item would provide for appropriation of $41,959,000 to the civil service retirement and disability fund for financing certain annuity benefits and increases. It has been and is the position of the administration that the retirement fund does not require this appropriation at this time. The need of an additional appropriation to the fund was considered before submission of the President's budget, and it was concluded that such action was not required. This conclusion is clearly supported by legislation passed in 1961 making certain annuity benefits and increases permanent without annual appropriations to cover the additional cost. The House report itself acknowledges the intent of this legislation even though it called for an additional appropriation for this year. It would appear that the Congress, in passing that legislation (Public Law 87–114) intended that no appropriation to the fund for this purpose was necessary. Deletion of this item would fulfill that intent.

GOVERNMENT PAYMENT FOR ANNUITANTS' HEALTH PROGRAM

The fourth item, "Government payment for annuitants, employees health benefits fund," provides the Government's share of the cost of the Federal employees health benefits program for those participants who have retired since the beginning of the program and for the survivors of deceased employees and annuitants. This program began in July 1960 for active Federal employees and the contributions required from this appropriation increase from year to year as additional employees retire or die and leave survivors. These funds are necessary to pay the carriers of the health benefits insurance contracts; they may not be used for other programs; and any balance not required in the current year remains available for the subsequent fiscal year.

HOUSE ACTION

The House bill provides $3 million for this item, a reduction of $2,400,000 from the budget request. Experience to date demonstrates the need for the full amount of $5,400,000 requested in the President's budget, plus the carryover of $1,623,000 from fiscal year 1962. This amount will be required to maintain contracts with carriers in effect during fiscal year 1963. If funds are not available to pay the premiums to the carriers the policy contract will lapse and the retired annuitants will be without health benefits protection.

Therefore, the Commission urges that the budget request of $5,400,000 be provided for this item.

Senator MAGNUSON. As I understand it, you only use it when you have to.

Mr. MACY. That is correct.

Senator MAGNUSON. And you have to have it to use it at that time.

Mr. MACY. We have to have it to meet the contract obligations.

Senator MAGNUSON. Yes. Some years it is different. The money is there and it is not used for anything else.

Mr. MACY. That is right.

Senator ALLOTT. You have to have enough there to cover what might occur during the year.

Mr. MACY. And we are in the process of gaining experience. It is only the second full year.

Senator MAGNUSON. And you can gage it then a little bit better.

Mr. MACY. That is correct.

CARRYOVER AND ADDITIONAL REQUEST

Senator ALLOTT. You had a carryover of $1,600,000 for last year and you are asking for that——

Mr. MACY. That is right.

Senator ALLOTT. And you are asking for——

Mr. MACY. $5,400,000.

Senator ALLOTT. $5,400,000 in addition to that.

Mr. MACY. In addition to that. That is correct.

Senator ALLOTT. So this is a total of $7 million?

Mr. MACY. $7 million.

Senator ALLOTT. To what extent is this increase over last year accountable to increases in Federal employment? How many new employees do you have in the Government?

APPROPRIATION, 1962; AND ESTIMATES, 1963

Senator MAGNUSON. For the record there, Senator Allott, the appropriations for 1962 were $4,500,000. The budget estimates for 1963 were $5,400,000, and the House made it $3 million.

Senator ALLOTT. This year.

Senator MAGNUSON. So they are up $900,000 from the budget estimate of last year.

RETIRED EMPLOYEES

Mr. MACY. But let me say, Mr. Chairman, in response to Senator Allott's point, I think it should be clear that what we are talking about here are retired employees. These are the retired employees who are covered by this program, and not the active employees. So the increase is based upon the additions to the retirement rolls.

Last year there was an addition of about 50,000 on the retirement rolls.

Senator ALLOTT. There must be an error on our sheet because the next item is the Government contribution to the Retired Employees' Health Benefits Fund.

Mr. MACY. The Government payment for annuitants in this item—annuitants being the retired Federal employees covered by this program—the active employees are also covered.

Senator MAGNUSON. In health programs too?

Mr. MACY. In health programs too, but they are financed by contribution of the employee and the Government on an active basis.

Senator MAGNUSON. Yes.

COSTS UNDER HEALTH BENEFIT CONTRACTS

Mr. MACY. Once the employee is retired and becomes an annuitant, it is necessary to have this appropriation in order to meet the current costs under the contracts with the health benefits carriers.

Senator ALLOTT. The Government contribution to those is included under the individual agency's salaries?

Mr. MACY. That is correct. It is difficult to comprehend, because there is also a program for retired employees health benefits. Those are the employees who were already retired at the time the legislation was enacted. The appropriation we are discussing is increasing in amount because there are an increasing number of individuals going on the retirement rolls, whereas the other category, the category of retired employees, goes down, because the number on the rolls that retired prior to 1960 is a diminishing group due to death.

Senator ALLOTT. Then what you are actually asking for in these two categories is in the retired employees, $9,200,000.

Mr. MACY. That is correct.

Senator ALLOTT. Plus the $7 million in round figures.

Mr. MACY. Yes.

Senator ALLOTT. Which makes $16,200,000.

Mr. MACY. That will go for retired employees of these two different categories.

Mr. RUDDOCK. And survivors, Mr. Chairman.

Mr. MACY. And survivors. Thank you.

This program covers survivors of annuitants as well.

My final paragraph reads:

ADMINISTRATIVE COSTS FOR RETIRED EMPLOYEES HEALTH BENEFITS

I would like to call to your attention one additional item which was not in our original budget request, but which was added by the House committee at our request. This involves the administrative expenses for the retired employees health benefits program. Due to increasing costs of hospital room rates and other health care services, it will be necessary to increase premium rates for the retired employees uniform plan by approximately 15 percent effective July 1, 1963. The administrative work required in fiscal year 1963 in preparation for this rate increase will make it impossible to operate within the 2-percent limitation for administrative expenses provided in the Retired Federal Employees Health Benefits Act. The application of this limitation would permit expenditure of approximately $282,000 for 1963. Therefore, the Commission requested the House committee to insert language in the appropriation bill to provide a limitation for administrative expenses for this program in the amount of $400,000 for 1963. The House has provided a limitation of $375,000 for this purpose which we believe at this time will meet our needs. Steps have been initiated to amend the basic legislation to deal with this situation in future years.

This concludes my opening statement, gentlemen. We shall be glad to answer any questions the committee may have.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

INCREASING NUMBER ON RETIREMENT ROLLS

Senator MAGNUSON. What the chairman is posing, and I am sure the committee wants to explore this too—and maybe you fellows could give us some advice on it—is this: I am reading as follows: The Retirement Division of the Civil Service Commission advises us that 50,228 employees of the Federal Government were added to the retirement rolls in fiscal 1961; that 53,500 were estimated for fiscal 1962, and that 57,000 are estimated for fiscal 1963. These figures include all types of annuitants including mandatory, on disability and optional. Table 9 of the budget shows civilian employment in the executive branch totaling 2,407,029 at the end of fiscal 1961, and it is estimated to be 2,492,345 at the end of fiscal 1962, and 2,538,390 at the end of fiscal 1963. For the current year, even though Federal employment has been reduced by 53,500 retirements, the total number by June 30 is expected to increase by 85,316, and for 1963, even though reduced by 57,000 retirements, the total number at the end of the fiscal year is expected further to increase by 46,045.

To me this demonstrates that Parkinson's law still operates continuously to balloon the employment of Federal civilian personnel.

CONTROLLING EXPANDING EMPLOYMENT BY RETIREMENT ATTRITION

The Independent Offices Appropriation bill provides funds amounting to $1.8 billion for personnel compensation, to employ some 300,000 civilians, which is more than 12 percent of the total Federal employee payroll. While it may not add up to a huge saving, it seems to me one way of slowing down the effects—and I quote again Parkinson's law—is to get greater benefit from the savings created through retirements. When an employee with years of service retires, usually there is an assistant ready and able to take over those duties, without the necessity of immediately employing somebody else to fill that vacancy. Of course, the tendency after such vacancy is filled by the assistant is to hire one or two or three of lower grades, and thus to use up the potential saving created by retirement.

In other words, what happens when an employee retires topside at an average salary of, let us say—let us say he retires at the salary of $15,000 to $20,000 a year and his assistant moves up to that position, or the No. 2 man does—instead of hiring one man down below or one person, they split the $15,000 to $20,000 up and hire two. We were hopeful that we could try this out and cut down the number of people employed, because when one top employee retires and goes out of the 50-some-thousand, you would only hire one down below. This is my idea of——

Mr. MACY. How to control it.

Senator MAGNUSON. Of how to control the huge increase in payroll. I offer it as a suggestion and I add this question: Could you try it out between now and the next session and maybe use these agencies as guinea pigs and see how it works out?

LIMITING SUCCESSION TO FILLING VACATED POSITIONS

Mr. MACY. The thought would be you would limit the succession merely to filling the position from which the retired individual had moved?

Senator MAGNUSON. Yes. But supposing an employee at the top side retires and he is getting, let us say, $16,000 a year.

Mr. MACY. Yes.

Senator MAGNUSON. So you technically put another man in his spot and as they move up, instead of hiring one person down there at $6,000, or at $8,000, or whatever it may be, or two people, to fill that money gap, you would hire one down below.

Mr. MACY. Of course, in my view this would be the accepted practice at the present time.

Senator MAGNUSON. But we find it is not.

Mr. MACY. You find it is not, from your information?

Senator MAGNUSON. According to these charts it is not. Now, not being facetious, I think it is what Parkinson talked about when he devised our now famous Parkinson's law.

Mr. MACY. We are all trying to repeal Parkinson's law, and we are certainly sympathetic to that view.

Senator MAGNUSON. Yes.

INCREASE DUE TO EXPANDED PROGRAM

Mr. MACY. The increase you see reflected on this sheet is probably largely attributable to the increase in certain agencies where there has been an expanded program. For example, over here on the Space Agency.

Senator MAGNUSON. Yes. I understand that. I understand a lot of these——

Mr. MACY. There are 9,000 positions.

Senator MAGNUSON. We have a lot of agencies that have been given expanded duties.

Mr. MACY. The Federal Aviation Agency is up 5,000 over this period of time. It is attributable to increased program operations.

Senator MAGNUSON. My suggestion is when you lop off $16,000 at the top, you do not go down and hire two $8,000 people below that, but you hire one.

Mr. MACY. I have no problem with that as a process. I would not have too much confidence in how much we can save that way, but certainly the plan you enunciate is a good one.

Senator MAGNUSON. I was putting it out as what I thought was a good idea.

Senator ALLOTT. May I put it in another context? The point is if you have a retiree at $16,000 you have created a $16,000 gap in your salary in the agency.

Mr. MACY. You have a vacancy created.

Senator ALLOTT. You save $16,000 for the balance of the year, whatever it is.

The chairman's point, and it is one that is well taken, is that the Administrator of the agency sees this and says we have $16,000 more in salary, so fill this up. Well, they move up everyone and take up the slack with two new employees at the bottom.

Senator MAGNUSON. And you have two more people instead of one.

GROWTH IN FAA

Senator ALLOTT. And you have two instead of one. We go through these things, and of course both of us know the reasons for the FAA—these are the initials for the "Friendly Aviation Association"—figures.

Mr. MACY. The "Friendly Aviation Association."

Senator ALLOTT. The growth is from 38,000 to 43,000 there in 3 years. My eyes do not light on the Space Agency figures.

Mr. MACY. It is over on page 3, I believe. You will see there is growth there from 17,000 to 26,000.

Senator ALLOTT. 17,000 to 26,000.

Mr. MACY. Those two are the bulk of it.

PROPOSED PLAN GOOD MANAGEMENT

Senator MAGNUSON. The actual dollar savings will amount to hardly anything, but when you get two people down below and have to take care of them, and that goes on, and the following year you shove up the pressure to get more money for your personnel because you have two instead of one, you just cannot help it. It goes along that way. Once they get on the payroll I mean you cannot help it.

Mr. MACY. I think your plan is a good management plan.

Senator MAGNUSON. It is a sort of attrition idea. Rather than the committee saying we will cut off 5 percent of the people, or something like that. Maybe there are some bugs in it, but it seems to me that is the only way you can do it, that is, when they hire down below. You cannot stop them from doing these things up above because they need these people, and they are valuable.

REPLACEMENT ONLY IN RELATION TO RETIREMENT

Mr. MACY. If the position is justified with the man in it who is going to retire, it is still justified and ought to be filled.

Senator MAGNUSON. That is right.

Mr. MACY. And the assumption ought to be that is the only position that will be filled in relation to that particular retirement. Of course, retirements are one feature of the problem.

Senator MAGNUSON. Another way to do it would be when the fellow up here retires to just move everybody up and do not hire anybody, and the two people down below can do the work that maybe they might hire another two people for and add two to it.

Senator ALLOTT. Another way of putting the point is that retirement is not used as a basis for cutting back of personnel, but always used as a basis for increasing personnel.

Senator MAGNUSON. Yes.

Senator ALLOTT. Retirement should be used, going by good management practices, to clean up your personnel situation and strengthen it, but instead of that we are just adding more.

Senator MAGNUSON. No matter when a person retires. You are right.

EXAMPLES OF EXPANSION

Senator ALLOTT. As long as this committee will keep on adding more and more each year every time an agency comes up and makes a showing, then each one of these agencies will continue to ask for

more. Even the small National Aeronautics and Space Council yesterday came up and asked for an increase from 24 to 32 employees. I am afraid as long as this committee will appropriate we will get caught in the bind that the retirement will not be used for the purpose of decreasing personnel or cleaning up personnel structures, but rather for increasing them as they are used now.

Senator MAGNUSON. You see, you people and we can keep a fairly good watch on the people up above, but when you get down to hiring at the bottom it is just an impossible task even to try unless you have some kind of a rule. Surely, if an agency had 100 people employed and one of them retires, it might be possible they could clean things up and get a long with 99, but instead of that they use the money to go down here and sometimes make it 101, because they can split it.

Senator ALLOTT. That is right.

MANAGEMENT REVIEW FOLLOWING EACH RETIREMENT

Mr. MACY. On the occasion of every retirement there should be a management review to see if, as a result of that action, there cannot be an improvement in organization and some saving in personnel. This is certainly the effect that we endeavor to put across to the agency.

Senator MAGNUSON. It is much easier for the Government to start with this policy. Supposing somebody looked at the 100 people in that agency and said, "You can get along with 98 or 99." Then you have to let two people go, and as you know, it is a difficult job when they get under civil service.

Mr. MACY. Yes.

Senator MAGNUSON. But when one retires and you have 99 left, you can do as Senator Allott suggests, and take a look at it.

NO JURISDICTION OVER HIRING BY NEW OFFICIALS

Senator ELLENDER. What jurisdiction has the Commission in preventing a newcomer in Government from hiring employees of his own choosing, and then letting those already there who served his predecessor, go and sit in a corner and fiddle around. That has been done in Government since I have been here.

Senator MAGNUSON. They have no jurisdiction.

Mr. MACY. We have no jurisdiction.

Senator MAGNUSON. What I am doing here is talking with them about this because they are experienced in personnel matters, and it might be a policy we could recommend to the departments.

Senator ELLENDER. Judging from your question, though, I assumed that both of us, and particularly the Commission, would have the jurisdiction to act on this.

Senator MAGNUSON. No, no. I started out that way explaining it was just an idea of mine.

Mr. MACY. This would just be a way to do it.

Senator ELLENDER. It is common knowledge when a new administration comes in every new person, who is not on civil service, will want his own stenographer and his own this and that around him. Under the civil service rules and regulations, the former employees cannot be discharged and thrown out. So the new man will pick out

his own and let the others just fiddle around. That is what makes these agencies grow so fast, and there ought to be some way to stop it.

Mr. MACY. I certainly hope there is a minimum of that condition.

Senator MAGNUSON. I said at the beginning, Senator Ellender, we are discussing this just as an idea.

Senator ELLENDER. Yes.

Senator MAGNUSON. I know a lot of good businesses that do it that way, as Senator Allott pointed out. When they have a retirement, instead of thinking immediately of hiring somebody else to complete a certain number of people, they look around to see if they cannot consolidate and work it out that way. It is the only way we will get the Government employment down.

IMPROVED MANPOWER UTILIZATION

Mr. MACY. I think one thing we could do along this line is make this very point with the agencies we work with in the course of our efforts at improved manpower utilization. It is one of the programs we are giving emphasis to in our efforts at this time.

Senator MAGNUSON. And this is surely the most—I should not say the easiest way, but the most humane way. You are not firing people and it will cause less trouble. When you get an average of over 57,000 people retiring in 1963, it seems to me at least you could cut Government employment in these departments quite a bit, could you not, out of that 57,000?

NUMBER OF PRESENT YEAR'S RETIREES

Senator ALLOTT. I would think so. How many retirees did you have this year?

Mr. MACY. 50,000.

Senator ALLOTT. Out of how many?

Mr. MACY. Out of 2,400,000.

REEXAMINATION OF EMPLOYEES

Senator ELLENDER. Let me ask you a question here. Is there some way under the rules and regulations that you can have people who have been working in Government, let us say, for 5 or 6 years, or 10 years, take examinations to see whether they are still qualified? Because a lot of them, I understand, are clock watchers and they do not perform as they should.

It strikes me there ought to be some way to eliminate people of that character and that kind.

Mr. MACY. This is a management responsibility in the agency to take action where individuals are not meeting the needs. Once they have met the competitive qualifications through examination——

Senator ELLENDER. The first time.

Mr. MACY. The first time.

Senator ELLENDER. Then it is promotion of personnel.

Mr. MACY. Then in some instances there are further examinations on promotion. But in any event, they have to be reviewed competitively in connection with any promotion that is authorized. But there are no further levels of examination to retain a job.

PERIODIC EXAMINATIONS

Senator ELLENDER. What would you think of your being able to have periodic examinations for all jobs if necessary, in order to weed out incompetents?

Mr. MACY. This would be a possibility, but it would impose a tremendous administrative burden. It seems to me in a large number of instances where employees are qualified it would really be superfluous to the need. I feel that the responsibility is that of supervision and management within the agencies to assure that at the present time they are getting full productivity out of the people they have. This is a responsibility that goes with a supervisory job, and they should exercise it.

Senator ELLENDER. Of course, many of them do not.

Mr. MACY. When they do not, then in turn action should be taken on them by a higher level of supervision.

Senator ELLENDER. You mean by those who are going to pay these incompetents? That is us?

Mr. MACY. It seems to me it is a management responsibility with the heads of the agency and his heads of management accepting their jobs.

Senator MAGNUSON. What I am thinking about in this respect is that there must be some way to use the retirements as a method to hold down or cut down Federal employment.

REVIEW BY SEPARATE AGENCIES

Mr. IRONS. I was hoping that the chairman would have this same kind of discussion with each agency that comes before you.

Senator MAGNUSON. Oh, yes.

Senator ALLOTT. I do not think you need to worry about that.

Senator MAGNUSON. Yes. I am just giving this to you people because you are experts in these matters and I want to know what you think about it. You may want to send us a little note. There may be a lot of bugs in this.

Mr. MACY. I would be interested in giving you further comment on this after I study it.

Mr. IRONS. I would like to see the committee urge this same kind of review for every vacancy that occurs—not just retirement, but those who resign, or leave the service for other reasons.

Mr. MACY. There are about 300,000 separations every year.

Senator MAGNUSON. That is the average.

Mr. MACY. Of which 50,000 are retired.

Senator MAGNUSON. Yes, 50,000 are retired.

Mr. MACY. So there are departures for a variety of other reasons.

As Mr. Irons points out, sound management practices would call for reviewing every time you have a vacancy, regardless of what the reason is.

Senator MAGNUSON. But when you get into the retirements you are getting moneywise into the higher brackets, and I do not see any reason why they should use the full amount to complete a whole complement.

ELIMINATING INCOMPETENTS

Senator ALLOTT. Getting back, if the chairman will yield, to Senator Ellender's question.

Senator MAGNUSON. Yes.

Senator ALLOTT. Is it not a fact that there is really in the civil service no adequate way of getting rid of incompetents?

Mr. MACY. The system is one that protects the individual on the job. There is no question about that. There is tenure.

Senator ALLOTT. This is not quite an answer to my question.

Mr. MACY. But let me develop it a little bit because a categorical answer one way or another is perhaps misleading. There are grounds for dismissal or removal. There are about 15,000 Federal employees discharged for cause every year, for a variety of reasons. Some for failure to meet performance standards, and some for misconduct and other reasons. The employee has the right to appeal that separation. Because of the appeal and the procedures involved there is a reluctance on the part of many managers to take this action.

I think this would be my response to your point. So it is difficult to remove employees, but I think to say it is impossible is an overstatement.

REMOVALS FOR INCOMPETENCE

Senator ALLOTT. Do you have any figures, for example, that would indicate how many people or what percentage of the people who have retired, have been removed for incompetence?

Mr. MACY. Of the people who retired?

Senator ALLOTT. Or those who are discharged. I beg your pardon.

Mr. MACY. No, I do not have a breakdown. I see figures here that in fiscal year 1961, 14,065 people were discharged. I do not have a breakdown of the substance of the charges made in each case, but I would assume a significant portion of this would be those who were discharged for inefficiency, or failure to perform.

Senator ALLOTT. Why would you make such an assumption? I doubt if it is backed up by the facts.

Mr. MACY. Because we see a portion of these cases on appeal that come to the Commission.

QUESTION OF MISCONDUCT

Senator ALLOTT. Are not the majority of your inventory separations by reason of misconduct? And that could take a dozen different forms. It could be refusal to obey an order, dishonesty, or any one of a dozen things. If you eliminate the actual cases of misconduct, I would be interested in how many you have left there that you actually discharge, or any agency discharges in the course of a year, for actual inefficiency or inability to do a job.

Mr. MACY. I do not have those figures with me.

Senator MAGNUSON. You can get those figures.

Mr. MACY. If the information is available we will provide it for the record.

Senator ALLOTT. I would be very much interested in that. I really would be. Because it is my understanding not only from the contact I have had with this, but from reports of previous members of the

Commission, that this is just about the situation. The combination of the difficulty of proving incompetency charges, plus the combination of an appeal with the long drawn out hassle over it, have almost resulted in a complete breakdown in the administration as far as removal for incompetency is concerned.

Mr. MACY. I would not reach as drastic a conclusion as that, but let us see if facts are available and we will discuss it with you further.

Senator ALLOTT. I will be very interested in that.

(The information requested follows:)

The information requested is not available as statistics have not been collected on "Removals for inefficiencies"—as an item separate from all other types of firings.

As one product of our Federal employment statistical program, which has just been initiated, such data will be available in future years on a sample basis.

The total firings in the Federal service in all areas for the past 3 years are:

Fiscal year 1960	14,503
Fiscal year 1961	14,065
Fiscal year 1962	14,479

PAYMENT TO RETIREMENT AND DISABILITY FUND

Senator ALLOTT. Mr. Chairman, I would like to go back, if I may, to this $41 million figure in your budget.

Senator MAGNUSON. Go right ahead.

Senator ALLOTT. On your payment to the civil service retirement and disability fund. There is no budget estimate on this amount that the House included in this, is there?

Mr. MACY. That is correct. The recommendation in the President's budget was in line with the legislation passed last year, that these benefits and increases would be paid on a permanent basis without appropriation.

Senator ALLOTT. You requested a deletion of this amount.

Mr. MACY. That is right. I am in the unusual position, Senator, of recommending that you delete something that is appropriated by the other House.

Senator ALLOTT. And your position is you contend with the President that the law is that this amount can be deducted from the trust fund?

Mr. MACY. That is correct.

Senator ALLOTT. By means of the present law and, therefore, it is unnecessary and it should not be included.

Mr. MACY. That is my position.

HOUSE LANGUAGE

Senator ALLOTT. Can you explain to me, because I cannot quite understand it, the House remark—and I will read the last sentence of their report on page 5:

There is no budget estimate, but the Congress has clearly intended that these added costs shall be financed on a current basis.

In view of the reasoning as you have stated it here, and as I understand it to be, do you know what this sentence means, that the Congress clearly intends these added costs shall be financed on a current basis?

Mr. MACY. No, sir, I do not. My view is that the intent of Congress as expressed in Public Law 85–465 last year eliminated the necessity for an annual appropriation to cover these incremental benefits authorized back in 1958 on a temporary basis, and made permanent by that law.

Senator ALLOTT. I think that is all I have on that, Mr. Chairman.

Senator MAGNUSON. Are there any other questions of Mr. Macy?

Senator COTTON. I have just one minor question.

Senator MAGNUSON. Senator Cotton.

EXCESS OVER ADMINISTRATION LIMITATION

Senator COTTON. You conclude your statement by saying that because of a particular situation this year the increased rates may exceed the 2-percent administrative limitation in your Retired Employees Benefits Act for this year, and you had asked the House to retain a sum of money to do that. Then you say that steps have been initiated to amend the basic legislation to deal with this situation in future years.

Do you mean that it is going to be necessary to increase this? That 2 percent is not going to be enough and you are going to increase that percentage in administration?

Mr. MACY. Yes. The recommendation is that the basic statute be amended to permit an annual limitation for administrative expenses in administering that particular program by appropriate action in the same fashion as limitations are provided in other operations, and legislative language to that effect has been forwarded to the Congress.

OPERATION UNDER 2-PERCENT LIMITATION

Senator COTTON. How long has that 2-percent limitation been in effect?

Mr. MACY. This is the second year of operation.

Senator COTTON. Has it been insufficient in both years?

Mr. MACY. This is the first full year. It was a fractional year before. Perhaps Mr. Ruddock can give more precise information on this.

Mr. RUDDOCK. We operated under the law during the first year of the Retired Employees Health Benefits Act without a limitation. No one could predict at that time what it would cost to set up the act and put it into effect. So there was no limitation applicable for the first year. The 2-percent limitation would be applicable for the first time this fiscal year 1963, and the amount available is insufficient to keep that act in effect.

Senator COTTON. But you say it is insufficient because of a peculiar situation necessitating added work.

Mr. RUDDOCK. Yes.

Senator COTTON. Because of the increase in rates.

Mr. RUDDOCK. That is right, sir.

Senator COTTON. It has not yet been demonstrated that under ordinary conditions the 2 percent would not be sufficient, has it?

ADEQUACY OF PERCENTAGE AMOUNT

Mr. RUDDOCK. Sir, I am sure that the 2 percent would be adequate for some years, depending on how much activity there is, and whether or not there is a rate increase. It will not be sufficient for this fiscal year 1963. It very definitely will not be sufficient at some point in the future. This is a diminishing group—these are all persons who retired before 1960 and their survivors from that group—so as they die off the group of eligibles will diminish. At the present time the number of eligibles is about 400,000, but as this group is reduced in size the Commission's administrative cost in connection with the Retired Federal Employees Health Benefits Act will come down, but not in the ratio as the number of eligibles decreases. So if we do not correct this situation we will have this recurring problem in different years. Sometime in the future we will have it definitely every year.

Senator COTTON. But you have it less instead of more then. Two percent will be too much then.

Mr. RUDDOCK. I do not think so.

Mr. MACY. No. Because as the number of employees covered drops, the unit of administrative expense is going to become greater because you have a smaller number actually to admiinster, although the dollar value will be less.

Senator COTTON. Oh, yes. Two percent will be less in dollars and cents.

Mr. RUDDOCK. Very definitely.

Senator COTTON. But do you think it is necessary to throw it out the window yet without a little more trying?

PREFERENCE FOR ANNUAL ESTIMATE ON LIMITATION

Mr. MACY. Our view was it was more appropriate for us to come before this committee and the committee in the House with an annual estimate as to what the limitation ought to be than to be rigidly fixed to the 2 percent. That was our view from the experience we have had to date.

Senator COTTON. Thank you.

Senator ELLENDER. May I ask a question?

Senator MAGNUSON. Go ahead.

INCREASED PERSONNEL IN 1963

Senator ELLENDER. I noticed that the number of employees has apparently decreased in 1963 over 1962, but when you look in the fourth column, the average number of all employees increased 47. Why is that? In other words, in 1962 you had 2,799 employees. This year you apparently have a permanent number of positions amounting to 2,770, or a decrease of 27. But you go down to the third column and you have average number of employees increased by 47. Why is that?

Mr. MACY. I believe that the 47 increase is correct.

Senator ELLENDER. So that your number of permanent employees will increase in 1963 over 1962?

Mr. MACY. By the 47 figure. I believe that is the final figure.

REFLECTION IN FUNDS REQUESTED

Senator ELLENDER. Is that reflected in the amount of money? Is it reflected in the more money you are asking for 1963 over 1962? Does that account for it, or is that partially due also to increased salaries, and other reasons?

Mr. MACY. No. This is the first time I have seen these tables. What we are proposing, Senator Ellender, is that the appropriation for salaries and expenses which is reflected here, be the same in 1963 as 1962, with the exception of $496,000 for furniture, which does not involve additional personnel.

Senator ELLENDER. But you said total personnel compensation in that column, according to the table before us, for 1963 is 17,702, and last year you had a total of 17,418. It does not say anything about furniture or anything like that, but seems to refer primarily to personnel. That, of course, as I have just pointed out, indicated that this increase means, or will evidently be used, to pay for the larger number of average employees you are going to have in 1963 over 1962.

NO INCREASE IN 1963 FOR STAFFING

Mr. MACY. Actually the figures in here are drawn from the budget document, and in agreeing to accept the House action on salaries and expenses, I think the answer to you is that there will be no increase in employees under "Salaries and expenses" in 1963 over 1962. These figures were based upon a somewhat larger request that was in the budget, which we now have conceded we do not have to have. We have gone along with the House position.

So my answer to your question is, there should be no increase in 1963 over 1962 for the staffing covered by the salaries and expenses appropriation.

HOUSE CUT ON SALARIES

Senator ELLENDER. How much has the House cut you back on salaries, that is, personnel compensation?

Mr. MACY. They cut us back $283,000, which eliminated 47 positions; and that is the 47 positions you have identified in column No. 3. Do you see what I mean?

Senator ELLENDER. I see. The 47, as I understand it, is——

Mr. MACY. Forty-seven was what we originally requested. The House struck it out and we have accepted the House reduction.

Senator ELLENDER. Why did you make it so that the House would have to do that? Why couldn't you have seen that yourself? That is the trouble with a lot of these agencies.

Mr. MACY. Senator Ellender, the reason was this: We developed our estimates a year ago and in the intervening period we have undertaken a number of management improvements and reduction in overhead, so it is possible through the experience we have had since the first of the calendar year to say that we do not require the increases we originally requested.

Senator ELLENDER. And the House brought that to your attention, evidently.

Mr. MACY. Yes. Apparently the House also viewed this as a condition.

INCREASE IN WORKLOAD

Senator ELLENDER. To what extent, if any, has your workload been increased, or will it be increased during 1963 over 1962?

Mr. MACY. The principal increase that is identifiable is in the increase in appeal workload that will come about through added appeal benefits that have been given to nonveteran employees under Executive Order 10988.

Senator ELLENDER. And you will be able to do this extra work without increasing?

Mr. MACY. We can do it because of the management economies we have effected in our operation.

Senator ELLENDER. As Senator Magnuson pointed out, I do not know of too many agencies which come here and ask for less. It is always more—always more. I wish there would be some way to stop that.

Mr. MACY. We feel that we have taken on additional workload without an increase in staffing, and that constitutes the same thing as asking for a reduction.

Senator ELLENDER. I am glad you saw the light after the House pointed it out.

Mr. MAY. The House is always very helpful.

Senator MAGNUSON. And the Commission will be helpful with us on these other matters.

Senator ELLENDER. Our Government is getting topheavy. There is no doubt about that. We must do something; otherwise it is going to smash us.

Senator MAGNUSON. The Commission is restricted by law, of course, in many cases, but I will say this for this Commission: They have been trying to suggest and be persuasive in having good management policy with the other agencies.

Mr. MACY. That is our prime objective.

Senator MAGNUSON. The law is pretty strict on you folks.

Are there any further questions of Mr. Macy?

If not, thank you very much, gentlemen.

Mr. MACY. Thank you, Mr. Chairman.

CIVIL AERONAUTICS BOARD

STATEMENT OF ROBERT T. MURPHY, VICE CHAIRMAN, ACCOMPANIED BY MORRIS CHERTKOV, EXECUTIVE DIRECTOR; JOHN B. RUSSELL, CHIEF, OFFICE OF ADMINISTRATION; IRVING ROTH, DIRECTOR, BUREAU OF ECONOMIC REGULATION; JOHN H. WANNER, GENERAL COUNSEL; WARNER H. HORD, CHIEF, OFFICE OF CARRIER ACCOUNTS AND STATISTICS; FRANCIS W. BROWN, CHIEF HEARING EXAMINER; JOSEPH C. WATSON, DIRECTOR, BUREAU OF INTERNATIONAL AFFAIRS; LEON H. TANGUAY, ACTING DIRECTOR, BUREAU OF SAFETY; AND ROBERT BURSTEIN, ASSOCIATE DIRECTOR, BUREAU OF ENFORCEMENT

AMENDMENTS AND JUSTIFICATIONS

Senator MAGNUSON. All right. The Civil Aeronautics Board. The committee will come to order and we will proceed with the Civil Aeronautics Board.

For the purpose of the record, in salaries and expenses the 1962 appropriation was $8,900,000. For fiscal year 1963 for the Board it was $9,900,000, an increase of $1 million. The House recommended $8,900,000, the same as last year. The Board has $881,000 that they want to discuss over and above the House allowance.

We will put your letter and budget summary in the record in full, Mr. Murphy.

(The letter referred to follows:)

CIVIL AERONAUTICS BOARD,
Washington, D.C. August 6, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your letter of July 27, 1962, the Board believes that the public interest does require changes in H.R. 12711, the independent offices appropriation bill for 1963, as passed by the House.

The Board requests that the bill be amended in three respects: (1) To restore $881,000 of the $1 million reduction for salaries and expenses; (2) to restore $11,178,000 of the reduction of $12,678,000 for payments to air carriers; and (3) to restore the reduction of 875,000 in the limitation of subsidy for helicopter operations.

These changes are explained in the separate statements attached covering each of the Board's two appropriation accounts.

We appreciate the opportunity afforded the Board to appear before your committee to explain more fully the changes requested in the House bill and to answer any questions which you or other members of the committee may have.

Sincerely yours,

ROBERT T. MURPHY, *Vice Chairman.*

CIVIL AERONAUTICS BOARD

SALARIES AND EXPENSES

(House hearings, pp. 967 to 1209)

(P. 5, line 6, of H.R. 12711 as reported to the House)

1962 appropriation	$8,900,000
1963 budget estimate	9,900,000
1963 House allowance	8,900,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	+1,000,000
Increase (+) or decrease (—) House allowance from 1963 estimate	—1,000,000
Restoration requested	881,000

AMENDMENTS REQUESTED

The Board requests the following amendments:
Page 5, line 13, strike out "$8,900,000" and insert "$9,781,000".

HOUSE REPORT

"The committee is favorably impressed with the Civil Aeronautics Board. The Board members are outstanding, dedicated public servants. The committee recommends $8,900,000 which is the exact sum the Board had last year. At the time of the hearings there were 73 vacant positions in presently authorized staff and the $1,000,000 requested for 75 new positions is deferred until the results and savings from a current reorganization can be evaluated. If further investigation indicates a need for additional staff they can be provided next year."

STATEMENT

The House report gives two reasons for the reduction of $1 million and 75 positions in the budget request: (1) The existence of 73 vacant positions in the Board at the time of the hearing last February; and (2) a then current reorganization which could not be evaluated. The report goes on to say that "if further investigation indicates a need for additional staff they can be provided next year."

The Board is requesting that $881,000 of the $1 million reduction be restored in the bill. The difference of $119,000 is made up of $100,000 for contract studies and $19,000 for two new positions for economic enforcement activities.

The restoration requested includes $156,000 for annualization of the 71 new positions added in 1962. This amount for annualization is necessary if the Board is to maintain the 873 currently authorized positions through 1963. The amount is roughly equivalent to the full year cost of 15 positions. If the annualization funds are denied, the 873 positions authorized in 1962 would have to be reduced.

The reference in the House report to a current reorganization must come from statements in the justifications relating to Reorganization Plan 3 of 1961 and the delegations the Board hoped to make thereunder. The Board took this factor into consideration in constructing its budget for 1963. As pointed out in the justifications, the Board has pledged its staff and facilities to a substantially greater effort in 1963. The budget was constructed on the general assumption that improved procedures, increased utilization of positions, increased productivity of personnel, additional delegations of authority and other improvements in operations would result in increased efficiency and production in a general order of magnitude approximating 20 to 25 percent in 1963 over 1961. It was pointed out that this goal may be too optimistic, but that every effort would be made to meet it.

The 73 vacant positions, where and why they existed, is explained below.

Nine of the vacancies were field auditor positions. The Board did not request any new auditor positions for 1962, so all of these vacancies were the result of turnover. Also, no additional auditor positions are requested for 1963. Auditors are very difficult to recruit and retain. The Board was able to obtain auditors only by sending a man to a number of universities to recruit replacements. He was successful in interesting enough young men in the work of the Board to fill the auditor and accountant vacancies, although some of these did not enter on duty until they completed their schooling in June.

Having had these vacancies at the time of the hearings did not, and does not, lessen the need for auditors. In fact, the audit workload has increased during the year as a result of increased emphasis on the financial status of the supplemental air carriers and the field audits required under the local service subsidy class rate. Even if it were possible to keep all auditor positions filled during 1963, the Board would not be able to accomplish the planned audit program. It is not believed that more than half of the 24 nonsubsidized certificated air carriers can be audited during 1963. The budget estimates did not provide for performing any audits on airfreight forwarders.

Five of the vacancies were hearing examiner positions, also due to turnover. Each of the hearing examiners has a secretarial assistant so a total of 10 of the 73 positions was involved. Recruitment had to be delayed because the Civil Service Commission had opened the hearing examiner register and placed a temporary freeze on employment of hearing examiners pending the establishment of a new register. Three of the examiner positions have since been filled. Considering the state of the Board's docket, it does not have a surplus of hearing examiner positions.

Eighteen of the vacancies were safety investigator positions. This is another area where recruitment is difficult, particularly in the engineering and other specialist categories. All but six of these positions have since been filled. The Board needs every one of these positions and is requesting additional staff in this area for 1963.

Twenty-one of the vacancies were stenographers, typists, and other clerical positions. For the most part, these positions were temporarily vacant because of turnover. A few were associated with the technical positions mentioned above and their filling was purposely delayed pending the filling of such technical positions. The Board, like other agencies, has a never-ending problem to recruit people to perform these service functions.

A total of 58 of the 73 vacancies has been accounted for above. The remaining 15 were scattered throughout the Board's organizational units and were largely the result of turnover. They consisted mostly of air transport examiners and attorneys.

As of June 30, 1962, the end of the fiscal year, the Board had a total of 836 employees on the payroll. By comparison, the 1963 budget estimates projected that year-end employment—that is employment at the end of 1962 fiscal year—would be 851, a difference of 15.

For 1963, we requested an increase of 75 positions, distributed to the Board's various activities as follows: 35 are for economic regulation, of which 6 are related to route matters, 6 for rates work, 2 are for economic enforcement, 5 are for electronic data processing work, and 16 for economic research and statistical studies, technical analytical assistance to the hearing examiner staff, initiation of a cargo origin-destination survey, and integration and improvement of the domestic and international passenger origin-destination survey; 37 are for safety activities, of which 7 are related to the projected increase in number of accidents and reduction of backlog, 10 are for providing additional field investigation assistance with emphasis on maintenance and wreckage reconstruction factors; 15 are to provide for attaining an adequate level of training, and 5 are to perform special studies and investigations pertaining to safety in air navigation and prevention of accidents; and 3 are for administrative support services. The need for these positions is explained in the attached statement "Explanation of Staff Increases Requested for the Fiscal Year 1963."

EXPLANATION OF STAFF INCREASES REQUESTED FOR THE FISCAL YEAR 1963

1. For accelerating the processing of route cases, three positions

The program for 1963 provides for a continued increase in the output of route cases to reduce the number of pending route applications to a more reasonable figure, and to implement the Board's program for stabilizing the financial position of the trunkline carrier group, which is a major objective of the Board in 1963. This will require prompt consideration of expected merger proposals and expedited hearings on route adjustments including those cases concerning consolidated services at regional airports. The expected merger proposals and related route adjustment considerations will add considerable work. The handling of formal route proceedings is not yet on a current basis and will not achieve that basis in the immediate future without an appreciable increase in staff. However, it is expected that a reduction in the backlog can be achieved

by the increase requested and the implementation of additional new procedures and techniques, including EDP assistance, provided that the receipt of new applications continues at the present rate.

The new positions requested are:

	Number
GS–13 air transport examiner	1
GS–12 air transport examiner	1
GS–9 air transport examiner	1
Total	3

2. For increase in supplemental and specialized air carrier authorizations, three positions

The budget request for 1963 included three additional positions which were designated for the Board's program for handling applications of supplemental and specialized air carriers. Congress enacted legislation which was signed into law on July 10, 1962, providing for permanent certification of supplemental air carriers. Pending permanent certification the Board is empowered to grant interim authority for supplemental air service, but such authority must be granted, if at all, within 90 days of the enactment of this legislation. The excessive workload demands of the next 3 months brought about by the need to act on the interim authority and the long-term demands for the processing of permanent certification will make the burden on the existing staff exceptionally heavy for some time to come. Over and above the applications expected from carriers currently authorized to provide supplemental air service, the Board has on its docket numerous applications by persons seeking supplemental authority. In all there were approximately 125 such applications pending as of June 30, 1962. Many of these applications have been on file for a considerable period of time and it was hoped that with additional manpower it would be possible to reduce this backlog.

Included among the three positions requested was one which was to be allocated to work in the air freight forwarder field. As of June 30, 1962, 45 applications for air freight forwarder authority were pending. With an additional position it was hoped that this backlog could be reduced and, in addition, much needed research into the regulatory policy applied to air freight forwarders was to be undertaken. Failure to obtain an additional position for this work will not only adversely affect the Board's ability to keep abreast of current applications filed for air freight forwarder authority, but will result in neglect of a study of vital problems affecting the air cargo industry in general and the air freight forwarder segment of that industry in particular.

If the three positions requested for supplemental and specialized air carrier work are not provided, the Board's program for fostering the development of the supplemental air carrier and air freight forwarder industries will suffer irreparably and many applicants seeking authority in these fields will no doubt be denied an opportunity solely because the Board will not be in a position to move expeditiously on their applications.

The new positions requested are:

	Number
GS–13 air transport examiner	1
GS–12 air transport examiner	1
GS–11 air transport examiner	1
Total	3

3. For handling increase in commercial rate and tariff work, six positions

The basic objective in this area for fiscal year 1963 is to assure a financially sound commercial air network, for commerce and national interest purposes, by maintaining insofar as possible a current docket as regards domestic and international cargo and passenger rates, compensation for priority and non-priority mail, and rates paid by the Military Establishment, and by processing as many important backlog rate matters as the Board's resources will permit.

This will include (1) continuing review of the domestic passenger fare structure; (2) cargo rate investigations; (3) review and analysis of IATA agreements which involve fare and rate matters on a worldwide basis; (4) analysis and presentation of recommendations to the Board with respect to new tariff filings which present substantive problems regarding fares, rates, rules, and related matters; (5) processing through the formal hearing procedure of fares

and rates which raise problems with respect to their lawfulness; (6) processing of IATA resolutions with respect to conditions of carriage which govern the rights of shippers; (7) investigation of cargo tariff rules concerning air cargo liability; (8) continuing review of the rates at which planeload and individually ticketed military traffic are to be transported by the commercial air carriers; (9) review and revision of rates for the carriage of U.S. mail, both priority and nonpriority; and (10) expedited analysis of the increasing number of tariff filings.

Since this period will see the continuing acceleration of commercial jet aircraft operations, both domestically and internationally, many of the commercial rate matters which come before the Board will involve entirely new problems and require entirely new solutions. The basic framework of the present passenger and cargo rate structures will necessarily be critically and carefully reviewed. Each of these items is critical to proper development of air transportation by broad segments of the industry, in the public and the national interest.

The trunkline industry is free of subsidy and depends for its financial health on passenger, property, and service mail revenues during these critical years of transition to turbo-jet services. As a result, commercial rate proceedings concerning domestic passenger fares, cargo rates, and international rate matters are increasing in number, scope, and complexity. Included among these proceedings are those involving fair minimum rates, on an industrywide basis, for commercial carriage of military traffic. In addition, continuing attention must be devoted to the service mail rate areas in order to obviate backlogs since it is essential that such rates not be open (that is, not final) for any considerable period of time.

The volume of work in this field is essentially beyond the Board's control since it originates in large part by statutory filings by carriers or other members of the public.

Six additional positions were requested for this area of activity on the basis of (1) an upward trend in the volume of tariff filings and the expectation that such trend would continue in the future, and (2) the need to process new commercial rate investigations on a current basis and to substantially reduce the backlog of pending cases.

Subsequent experience has demonstrated that the forecast of workload units for 1962 and 1963 was unduly conservative. For example, it was estimated that there would be approximately 38,500 tariffs filed in 1962 and 42,000 tariffs filed in 1963. The 1962 estimate was based on the then current volume of filings and represented an increase of 24 percent over the actual volume of filings in the preceding fiscal year. Fiscal 1962's actual total, however, reached 42,800 about 11 percent more than estimated and 38 percent above the total for fiscal 1961. On the basis of this volume of tariff filings, we are now estimating for 1963 that a total of 52,000 tariffs will be filed with the Board. This volume is approximately 24 percent above the level estimated in connection with the 1963 budget request.

The increase in tariff filings, as well as other factors, is translated directly into an increasingly greater burden of substantive work in the form of formal (and informal) proceedings resulting from such filings. The passenger and property rate proceedings involving the suspension of particular tariffs must be accorded a high priority so as to complete the proceedings within the 6-month maximum suspension period. Thus, the resources of the staff assigned to rate investigations other than suspension cases are for the most part those which are left over from other activities such as the tariff review, IATA agreement activities, and the military exemption areas. As a result there is a sizable backlog of investigations pending which there are no reasonable prospects of getting underway in the foreseeable future with the current staff.

The number of formal rate proceedings processed is also running substantially ahead of the estimates made in conjunction with the requested increase of six positions for the commercial rate area of activity. The actual total for 1962 was 63, as compared with the estimate of 53. We now estimate 80 such work units for 1963, as compared with the 59 estimated earlier. The additional personnel requested is essential for this activity so that future proceedings may be

handled on a relatively current basis and to permit a reduction in backlog cases.

The six new positions requested are:

	Number
GS–14 trial attorney	1
GS–13 air transport examiner	1
GS–11 trial attorney	1
GS–11 air transport examiner	1
GS–11 tariff examiner	1
GS–5 clerk-stenographer	1
Total	6

4. For increased economic enforcement investigations, two positions

The Board believes that the future enforcement program should be devised to give emphasis to an intensified investigative program and to the development of techniques for preventive enforcement via voluntary compliance. With such a program and improvements in investigative techniques, prompt and thorough investigations of suspected violations can be made before they develop into serious and widespread problems. Investigations so handled will serve as a more effective tool for making settlements of violations without the necessity for hearings. However, in the case of recalcitrant violators, the most effective sanction is to resort to court actions both civil and criminal, to enjoin and punish such violators. Therefore as part of the intensified investigative program, the Board proposes to direct greater staff emphasis to undertaking more court actions, and will consequently reduce the number of Board proceedings which are much more time-consuming and much less effective. It is also envisaged that the investigative staff will be used to assist in an overall program of educating the industry to bring about a higher degree of preventive enforcement.

Field investigations have become more complex for the following reasons: (1) evidentiary problems have become more involved and frequently require travel to more than one office and company to obtain information and material which in the past has been available at one source; (2) assertion of privileged communication has become more and more frequent, resulting in appreciable delays in the completion of investigations; and (3) foreign air carriers and ticket agents are refusing access to their records so that essential information and material must be obtained indirectly through secondary sources.

The two new positions requested are:

	Number
GS–13 air transport examiner	1
GS–9 air transport examiner	1
Total	2

5. For implementation of electronic data-processing (EDP) program, five positions

The program proposed for 1963 is focused primarily upon the conversion from manual to centralized electronic machine processing of the major systems of data used in the regulatory processes through the Board. During fiscal 1961, electronic equipment, compatible with the needs of the Board, was marketed for the first time by several manufacturers. The program for boardwide application of EDP accordingly accelerated with a view toward attaining an operational status by early fiscal 1963. Under this accelerated program, a preliminary feasibility study was conducted by a committee of Board staff during the first quarter of calendar 1961 and a further feasibility and equipment selection study was conducted under contract during the second quarter of calendar 1961. On the basis of the recommendations resulting from this study, an order was placed with IBM for delivery by June 1, 1962, of a model 1401 tape system, since installed.

Plans were for the immediate mechanization of form 41 and origin-destination information. These projects represent distinct, well-defined data systems, and constitute the predominant areas of burden in data processing. Requirements for data in other areas have not yet been sufficiently well defined to permit their inclusion in the initial program. It is estimated that the developmental period of the overall program will continue for several years and into fiscal 1964 at least. Under the program now started, it is planned to develop a facility for the centralized processing, by mechanized methods, of virtually all cost findings and similar end products based on form 41 and O. & D. data required throughout the Board.

In order to attain these objectives, fiscal 1962 was devoted to the developmental aspects of the program. This included training, through the manufacturers' facilities, of key subject area staff, and EDP technical staff, respectively, in the principles of machine processing generally, and the IBM 1401 processing systems, specifically. In addition, during fiscal year 1962, the main systems for processing origin-destination and form 41 data were designed, and machine programs developed, for the actual production of the more basic and readily identifiable end products required to meet the Board's informational needs. The basic systems for processing both origin-destination and form 41 data are scheduled for completion early in fiscal 1963. However, actual programming for machine processing of the variety of different end products to which such information is applied will continue for several years.

Fiscal 1963 will be devoted largely to the conversion from manual to electronic data processing systems. This will entail training of Board staff in the affected subject areas in the new processing methods and the improved analytical techniques made possible by the machines. In order to prove out the new system, parallel machine and manual operations must be run for short periods to detect and rectify gaps or inconsistencies in the designed system through the development of new machine programs or improvements in initially designed programs. Since the developmental and conversion activities must continue at a rapid pace, at least through fiscal 1963, significant increases in staff productivity will not be realized before fiscal 1964.

As the program moves forward, it is anticipated that greater and greater demands will be made for machine-processed end products which will require a sharp acceleration in the volume of data to be cast into machine-oriented form. To meet these demands it is planned to recast, to the maximum reasonable extent, carrier reporting procedures to a form compatible with machine processing. Nevertheless, virtually all EDP input data originating within the Board, some carrier-reported data, and all corrections of input data must be handled by this facility. In addition, the volume of machine programs involved will require preservation in a form which will serve to control operating procedures and schedules. These problems will become acute in fiscal 1963.

The new positions for this activity are essential to furtherance of the program in which the Board has made a very substantial investment. If the additional staff is denied, the rate of conversion to electronic procedures will be delayed and our hopes for increased productivity in other areas of the Board's work must suffer accordingly.

The new positions requested are:

	Number
GS–12 accountant	1
GS–5 clerk-typist	1
GS–3 card punch operator	3
Total	5

6. For increase in technical, statistical, and analytical assistance, four positions

This assistance is provided by the Research and Statistics Division of the Board's Office of Carrier Accounts and Statistics.

Under the Administrative Procedure Act, the technical staff that participates in formal proceedings cannot also provide technical assistance in the decisional processes. To meet this problem on the most economical basis, the Board has centralized in the statistical activity all technical assistance of a nonadvocate nature. The assistance that is provided cuts across the entire decisional process, including the hearing examiners, the opinion writing division of the General Counsel's office, and the Board members themselves. It likewise extends to all classes of cases decided through formal proceedings, including fare, route, merger, and adequacy-of-service cases.

In these formal proceedings, the exhibits are the chief strength of the arguments in the case. They often consist of complex and highly technical presentations of economic and statistical data and analyses. Each party in a case presents those exhibits that best support his individual position. In the very nature of the situation, the exhibits do not tend to be objective or disinterested. The decision in a case must, then, be determined by analyzing a great mass of often conflicting economic and statistical data accumulated during the course of the proceeding. The hearing examiners are primarily legal experts who, even

though they may be well informed on economic and statistical matters, are often faced with difficulties in evaluating the validity and significance of economic and statistical material presented in various cases. These difficulties stem both from a need for a high level of specialization in highly technical fields and the lack of time on the part of the examiner to personally perform the necessary technical evaluations. This is also true, to a large degree, in respect to the opinion writers and other areas. Unless the exhibit material can be properly and thoroughly analyzed, the decisions reached could be at serious fault. It is, therefore, imperative that staff technically qualified in the fields of economics, costs, accounting, and statistics be available to assist in the decisional processes.

The four additional positions requested are necessary to meet the needs for competent technical assistance at the various decisional stages under the accelerated pace at which formal proceedings have been planned in the various substantive areas of the Board. The new positions are:

	Number
GS–13 air transport examiner	1
GS–12 analytical statistician	1
GS–9 air transport examiner	1
GS–7 air transport examiner	1
Total	4

7. For economic studies and forecasts, four positions

Fundamental to all phases of the Board's work is an improved understanding of current and anticipated air transportation problems and probable solutions thereof. Essential to this improved understanding is up-to-date trend data, special studies and forecasts, and interpretations thereof. The forecasts and studies to be performed by this staff will be coordinated with the overall needs of the Board through the planning office. In this connection, the Board is requesting an increase in the staff of the research and statistical activity to more adequately meet the Board's needs for this type of specialized assistance.

The Board's planning office became operational during the fiscal year 1961. The functions of this office include initiating, conducting, or coordinating studies of Board operations and industry conditions in order to recommend to the Board policies and programs designed to speed the Board's work, meet the needs of the aviation industry, and serve the public interest. This office is currently operating with a total staff of five positions and it is planned to continue the staff at the same level in 1963.

The planning office, because of its size, must rely heavily on other activities of the Board, and in particular the statistical and research activity, for assistance in the gathering and furnishing of data and the performance of studies and forecasts. The increase in staff requested for the statistical and research activity is, in part, directly associated with the planning office program.

In this connection, the Board's 1963 budget estimates contemplated that it would be necessary to have certain types of studies performed on a contract basis. For this purpose, a total of $100,000 (an increase of $50,000 over 1962) was requested. Industry technology is advancing with increased rapidity; the position of the industry relative to the total transport market is undergoing continual change; and the problems resulting from such changes permeate all facets of the air transport industry. The ability to anticipate problems and to find adequate and timely solutions depends in large measure upon an effective research program. In many respects, the effectiveness of the Board's regulatory program depends on accurate forecasts, on identification of significant problems before they arise, and on an understanding of the probable consequences of alternative solutions.

Failure to maintain an adequate research facility will severely hamper effective prosecution of the Board's regulatory program. Wise and forward-looking decisions on rate, route, merger, and adequacy-of-service problems cannot be made without access to basic economic research and forecasts developed independently of particular adversary proceedings. For example, the Board has a continuing need for up-to-date forecasts of such items as (1) types of equipment that will become available at various dates and the probable characteristics and unit operating cost of such equipment; (2) the impact of new equipment on demand, service pattern, and operating cost; (3) the capacity that will be operated in various markets under changing circumstances of

equipment availability; (4) conditions required for a satisfactory rate of return on investment with newly available equipment types; and (5) demand for air transportation in different types of markets under alternative fares, anticipated income levels, and probable general economic conditions. Moreover, the development of such forecasts depends, in turn, upon specialized research studies. For example, forecasts of traffic at different fare levels depend upon prior studies of price elasticity of demand, i.e., the response of demand to price changes.

In brief, a strong research program is no luxury. Rather, it is an essential ingredient needed to provide the foundations for sound policy decisions. The present staff is simply not sufficient to perform the basic research required to accomplish this important purpose.

The new positions requested are:

	Number
GS–13 transportation economist	2
GS–13 analytical statistician	1
GS–12 analytical statistician	1
Total	4

8. For planning and initiating collection of aircargo origin-destination statistics, five positions

The Board is experiencing increasing activity in the aircargo field. There are pending before the Board today applications from aircargo and air passenger carriers concerning both rates and routes for aircargo transportation. The Board at this time does not have available to it the aircargo statistical information so vital in the processing of these cases.

The Board does not now make aircargo (i.e., freight and express) O. & D. surveys, nor are aircargo O. & D. data compiled on a regular or comprehensive basis by any other organization. Lack of such data, although not serious heretofore, now represents a major gap in the statistical information absolutely essential for both route and rate purposes.

Substantial sums of money are being expended by both the industry and the Government in the development of breakthrough types of cargo aircraft. As a result, at least five major manufacturers have in production, or have plans for the production of, large turboprop or turbofan cargo aircraft that have been designed with the need for low unit-cost operation as a basic requirement. Unfortunately, there is virtually a void of reliable factual information available as to the nature and scope of the aircargo markets in which these aircraft must operate.

The Board requires cargo O. & D. data to develop an aircargo route pattern adapted to the specialized needs of such traffic, as distinguished from the existing routes which are designed primarily to serve passenger traffic. The Board also needs aircargo O. & D. statistics to reach decisions on rate levels and structure. For these purposes, it is important to know the origin, destination, and routing of aircargo movements, and also to have information on the characteristics of the traffic carried, such as the kinds of commodities, number of pieces, weight and size of shipments, value of shipments, etc. It is also necessary to have information on the directional movement of aircargo, since directional imbalances by commodity are inherent in the transportation of cargo. Data on the seasonal patterns of aircargo movements, by commodity type, are also greatly needed. Precedent in respect to a regulatory agency's need for cargo O. & D. statistics is found in the Interstate Commerce Commission, which has had a highly successful rail-cargo O. & D. statistics program for a number of years.

The five positions in this activity have been provided in an attempt to meet in part the lack of factual information on aircargo. The program would first apply to the domestic field. Later, it would also embrace international operations. No early progress can be made in starting a program of aircargo O. & D. statistics if the requested five positions are not provided. The Board will be faced with regulating this rapidly growing segment of the airline industry without benefit of factual statistics about operations in this area.

The new positions requested are:

	Number
GS–13 analytical statistician	1
GS–12 air transport examiner	1
GS–11 analytical statistician	1
GS–9 air transport examiner	1
GS–7 statistical assistant	1
Total	5

9. For integration of domestic and international O. & D. statistics, three positions

The Board now conducts both domestic and international O. & D. surveys of air passenger traffic. The domestic passenger survey has been conducted on the basis of a 10-percent continuous sample since the beginning of 1959. The international survey, however, is still being conducted on the basis of a March-and-September sample.

This latter method of sampling is outmoded and is no longer a representative measure of international travel. The differing collection methods, together with the overlapping of many trips between domestic and international areas, result in complexity in the survey procedures, duplication in collection work by the carriers, as well as being conducive to serious reporting errors. Many of the procedures used have not been changed since 1946, and have long outlived their usefulness as a result of the tremendous growth and changes in the air transportation industry since the end of World War II.

A comprehensive reevaluation and overhaul of both the domestic and international O. & D. surveys of air passenger traffic is required to integrate the separate domestic and international procedures, improve the quality of the statistics, provide additional detail information needed by the Board such as new breakdowns by fare classes (first class, coach, economy, etc.), a more complete description of trip routings (by adding cities to intraline transfer), a better method for classifying international trips in terms of freedoms (needed for bilateral negotiations with foreign countries), improvement in edit and verification of source data, and overall improvement in efficiency in the survey procedures that will benefit both the carriers and the Board. A joint CAB-industry plan for bringing about such complete reevaluation of, and improvement in, the passenger O. & D. surveys is under consideration. The additional positions requested in 1963 are:

	Number
GS–13 analytical statistician	1
GS–9 analytical statistician	1
GS–5 statistical clerk	1
Total	3

10. For accident investigation, 37 positions

The Board, under the Federal Aviation Act of 1958, has the responsibility to "assure the highest degree of safety in air transportation." It carries out this responsibility through the investigation and analysis of accidents involving civil aircraft; the holding of public hearings, developing probable causes, and issuing reports; conducting research and special activities directed toward disclosing deficiencies and enhancing safety; and making appropriate recommendations for effective corrective action on deficiencies disclosed by the investigations, research, or special activities.

The safety problems have multiplied manyfold during the past few years, with planes flying faster and higher, carrying many more passengers and more complicated automatic equipment, powered by new types of engines, and with improvements in all areas of the aviation industry taking place at a very rapid pace. This is true over a wide range of aircraft—from the small private and executive-type planes to the large transcontinental jets. Safety in air transportation takes on added importance with these developments.

The Board's safety program for 1963 anticipates accomplishment of an increased number of field investigations incident with a projected increase in the total number of accidents related to the estimated increase in the number of planes and miles to be flown, a reduction in the accumulation of incomplete accident reports, improvements in coverage and quality of accident investigations, particularly with respect to maintenance factors, increased accident prevention activities, and expansion in training of technical personnel to an adequate level.

The 37 new positions requested for 1963 are for the following purposes:

(*a*) Fifteen of the positions were to be utilized to permit the implementation of a 5-year training and career development program for the technical people.

(*b*) Ten of the positions were requested in order to expedite and improve the quality of our investigations.

(*c*) Seven of the positions were requested in order for the Board to cope with the additional workload we anticipate will develop from future accidents and to assist us in dealing with the increasing complexity of aircraft accidents.

(*d*) Five of the positions were requested for the purpose of further expanding the accident prevention activity.

A. Training.—With respect to training, the conduct of the Board's safety investigation activities requires highly specialized personnel. They must be kept reasonably current with the changes which are constantly occurring in the aviation industry—kept abreast of the complicated systems built into new aircraft and their performance in different operational environments, along with the changes in air traffic control and air navigation procedures and equipment.

During the past several years the Board has not had sufficient personnel to handle investigations, even though many thousands of overtime hours have been worked, and therefore has not been able to undertake any appreciable amount of training. It is not conceivable that any group of men can maintain their proficiency and acquire the knowledge necessary to keep abreast of such a broad and ever-changing technical field without substantial training assistance.

Accordingly, the Board is proposing to undertake, commencing in 1963, a training program which is designed to provide each member of its technical safety staff with training in the fields of aircraft operations, structures, powerplants, and electronics.

More specifically, the training program would provide for each technical safety staff member to receive the equivalent of 6 weeks training during each fiscal year. This training will take several forms. It will include on-the-job training, assignment to formal training courses (both flying and nonflying technical courses), attendance at technical seminars, conferences, and meetings, and time for review of technical papers and reports.

When the wide variety of operations, services, aircraft, aircraft systems, powerplants and air navigation and air traffic control aids which the investigators must study and analyze in the performance of their duties are considered, this training program we believe is a modest one.

The 15 positions involved are:

	Number
GS–13 structures engineer	2
GS–13 air safety investigator	7
GS–12 air safety investigator	3
GS–11 air safety investigator	3
Total	15

B. Improve quality of investigation.—A total of 10 positions are requested for field assistance in the maintenance and wreckage reconstruction area to permit us to expedite and improve the quality of the investigations. We have deemed this particularly important in the general aviation area since there has been a marked increase in the number of multiengine aircraft, helicopters, and the more complicated single-engine aircraft. This has created a need for an invesigator with a broad airplane and engine maintenance-type background to assist in the investigations. It is also planned to utilize these personnel on the mockup (reassembly) of wreckage on the large complicated accidents to expedite the investigations. The new positions are:

	Number
GS–13 air safety investigator	5
GS–12 air safety investigator	5
Total	10

C. Reduction in overtime and backlogs.—For this purpose, the Board requests seven positions in order for it to meet its objective of improving the quality of accident investigations in both air carrier and general aviation and reducing the time factor between the occurrence of an accident nad the issuance of the final report. During fiscal year 1962 the Bureau of Safety staff performed approximately 22,958 hours of uncompensated overtime.

Nevertheless, at the close of the fiscal year 1962 there were 625 uncompleted accident investigations on hand. In addition, also on hand awaiting disposition, were 2,206 investigation reports received from the FAA and requiring determination of probable cause and final processing.

The new positions requested are:

	Number
GS–13 systems engineer	2
GS–13 powerplant engineer	1
GS–13 air safety investigator	1
GS–12 air safety investigator	3
Total	7

D. For increase in research and studies for accident prevention, five positions.—The facts, conditions, and circumstances determined through field investigations, investigations of potential hazards, and from special studies, projects, and research are translated into positive recommendations for effective corrective action with a view to eliminating the possibility of or preventing the recurrence of accidents.

The Board is responsible for making special studies and investigations, pertaining to the safety in air navigation and the prevention of accidents, to ascertain what will best tend to reduce or eliminate the possibility of or recurrence of accidents. These investigations originate from studies of the factfinding information developed by specific accidents and incidents, accident and incident trends developed from accident statistics, safety recommendations from various sources and from the study of aeronautical hazards. Currently, it is impossible to devote more than a token effort to the Board's safety promotional activities due to reqirements for staff to perform accident investigation factfinding and related work. The accident investigation prevention work is of primary importance since it results in the form of practical recommendations to the industry (transport, general aviation, and manufacturing), the Federal Aviation Agency and other Government agencies. These recommendations are made for effecting corrective action and will prevent the occurence of future accidents or incidents with the resultant savings in equipment and lives. The determination of facts, conditions, and circumstances in accident investigation is wasted unless these factors are evaluated through further investigation, research, and study and developed into sound practical recommendations for effective corrective action. The five positions requested for this function are:

	Number
GS–13 powerplant investigator	1
GS–13 human factors investigator	1
GS–13 structure specialist	1
GS–12 air safety investigator	1
GS–11 air safety investigator	1
Total	5

11. For supporting administrative services, three positions

One GS–5 voucher examiner to handle increase in travel and other payment activities resulting from increased staff requested throughout the Board.

One GS–11 photographic specialist to provide photographic services in connection with accident investigation and other reproduction services.

One GS–1 messenger to handle increase in mail and messenger work resulting from the overall projected increase in the Board's staff.

CIVIL AERONAUTICS BOARD

PAYMENTS TO AIR CARRIERS

(House hearings, pp. 1068 to 1209)

(Page 5, line 14 of H.R. 12711 as reported to the House)

1962 appropriation	$78,250,000
1963 budget estimate	84,578,000
1963 House allowance	71,900,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	—6,350,000
Increase (+) or decrease (—) House allowance from 1963 estimate	—12,678,000
Restoration requested	11,178,000

AMENDMENTS REQUESTED

The Board requests the following amendments:

Page 5, line 19, strike out "$71,900,000" and insert "$83,078,000", and on page 5, line 20, strike out "$4,975,000" and insert "$5,850,000".

HOUSE REPORT

"The committee compliments the Board on the performance of its very vital functions. It is glad to see more detailed attention being given to subsidies to air carriers than was done in the past. For the first time the committee brought in local carriers and held hearings which it thinks were beneficial to the committee, the Board, and the carriers, and believes economies will be made. The committee is confident the Board can reduce subsidies without hurting the effective operation of the carriers. The bill provides $71,900,000 for payment of such subsidies including $4,975,000 for helicopter operations."

STATEMENT

The House bill provides $71,900,000 for payment of subsidies in 1963 and is a reduction of $12,678,000 from the budget estimate. Also, the language of the bill contains a limitation on the amount available for subsidy for helicopter operations. The budget estimate provided $5,850,000, as compared with $4,975,000 allowed by the House, a reduction of $875,000.

The Board has been studying its needs for subsidies since the February hearing, and is currently engaged in making the studies and forecasts as to subsidy requirements for its 1964 budget estimates, which, of course, will involve a complete review of 1963 subsidy requirements. There are indications that the payment estimates for 1963 may be subject to downward adjustment somewhere in the range of $1 to $1½ million.

Accordingly, the Board is proposing to reduce its request for subsidy by $1,500,000, and is, therefore, requesting that the House bill be amended to restore $11,178,000 of the $12,678,000 disallowed by the House. The Board is also requesting that the limitation on subsidy for helicopter operations be restored to $5,850,000, the full amount of the estimate.

While there are many variable and influencing factors involved in making a subsidy forecast, the estimates have been made as accurately as possible, and, therefore, represent the Board's best estimate of the funds that will be required to pay the carriers' bills as they become due under rate orders now in effect, or expected to be in effect, during the fiscal year 1963.

With reference to the assurance given during House consideration of the bill that needed service to small communities was not intended to be curtailed, the Board does not see how a cost of saving of anywhere near a magnitude of $12 million could possibly be achieved without cutting into needed services of the smaller communities, and in some instances, entirely cutting out needed services.

The Board is in full accord with the objective to reduce subsidy and has an established and operating four-point program for reversal of the upward subsidy trend.

Achievement of this program depends upon: (1) The suspension or curtailment of service, under the Board's use-it-or-lose-it policy, at points where traffic genera-

tion is inadequate; (2) the strengthening of the carriers' route systems so that revenues will increase more rapidly than costs, thus resulting in a corresponding reduction of subsidy needs; (3) the integration of services for various cities through the regional airport concept, which will reduce costs and accordingly reduce subsidy; and (4) the realization of the full potential of the more modern aircraft purchases by the smaller carriers, many of such aircraft being covered by Government loan guarantees.

In addition, as directed by the President's transportation message of April 5, 1962, the Board's staff is working on a top priority basis on a report to the President before June 30, 1963, setting forth a comprehensive program aimed at gradual but significant subsidy reductions on a scheduled basis. In this connection, the Board has been assured of industry cooperation in this endeavor, with the appointment, under auspices of the Association of Local Transport Airlines, of a committee of industry officials to work with and advise the Board's staff on various aspects of the program. The benefits of such programs cannot—for reasons of due process, and practical considerations—be realized until after July 1, 1963. Route actions, whether suspensions of weak points or addition of strong traffic generating centers, must follow statutory hearing requirements which take time. The same is true of the regional airport concept. The reequipment cycle is well advanced, but the full integration of such equipment into the carriers' systems is not concluded: 1964, not 1963, should be the year of realization of substantial benefits of such aircraft in terms of subsidy reduction.

It is the Board's view that the reduction comes 1 year too early in point of time and is too great in amount and that such reduction now: (1) Will be disruptive of the Board's program for reducing subsidy each year, commencing with fiscal 1964; and (2) will be so restrictive at this time as to create serious problems for many smaller communities all over the United States in the form of premature withdrawal of air service.

A class subsidy rate is now in effect for all 13 local service carriers. The class subsidy rate is a uniform rate formula applicable to the local service carriers as a class. Amounts payable are determined from a scale of rates based upon volume of carrier operations per station, whereby as revenue plane-miles flown per station increase, the unit subsidy rate per available seat-mile is reduced. It affords each carrier advance knowledge of the amount of subsidy support to be received for particular operations and creates stronger incentives for greater operating efficiency, cost controls, optimum fare levels, and economic scheduling than have heretofore existed under the individually determined subsidy rates. It is expected that the strong incentives to managerial efficiency will serve as contributing factors in the Board's overall program to reduce subsidy.

The Board is now in the process of evaluating the results of the first full year of operation under the class rate. In this connection, the Board and the local service industry are studying ways to improve the class rate formula. The Board plans to revise the class rate as soon as the required studies are completed with an effective date no later than next January 1.

The Board's 1962 appropriation included a provision, inserted by the Congress, limiting the amount of subsidy that could be paid for helicopter operations during the 1962 fiscal year to $6 million.

In order to maintain the subsidy bill for fiscal 1962 within the ceiling amount, the Board conducted informal discussions with the carriers aimed at the curtailment of their services in order to permit them to operate successfully with an equitable distribution of the $6 million subsidy available for that purpose. These discussions failed and the matter was then promptly set by the Board for formal hearing. During the pendency of such hearings, however, the carriers took action to eliminate service to various points and also did not institute service to a number of communities to which their authority extended; and, in addition, discussions continued among all the parties as to ways and means for conducting operations within the budgetary limitation for fiscal 1962.

By motion filed formally with the Board on January 18, 1962, the carriers have stated that, in effect, they have, in conjunction with the staff of the Board, worked out plans whereby their subsidy need for 1962 will not exceed the $6 million limitation. On this basis the carriers have asked the Board to cancel the hearings as regards 1962, and to defer further proceedings as regards 1963.

The $5,850,000 subsidy requested for helicopter operations in fiscal year 1963, a reduction of $150,000 from the amount allowed in 1962, will support the presently certificated helicopter operators only on a substantially curtailed basis. With this subsidy limit, the carriers have curtailed the scope of their

operations by not instituting service to new points; reducing or eliminating the relatively less productive services, including mail/cargo or mail only schedules, and by effecting such other economies as are feasible.

The recent introduction into service of the turbine-powered, twin-engine helicopter is as near a true technological breakthrough as we have seen in recent years. High operating cost has been the greatest deterrent to rapid growth in this phase of aviation. However, it is anticipated that the turbocopter will make substantial inroads in direct operating costs and should prove a major factor in ultimately reducing subsidy requirements.

Two of the three helicopter carriers have acquired turbine-powered equipment under the loan guarantee program.

We should not overlook the fact that the helicopter carriers were certificated for three specific purposes: (1) To expedite metropolitan mail deliveries to the central post office; (2) to assist in the development of rotary-wing aircraft for national defense purposes; and (3) to determine the feasibility of transportation of passengers, in addition to mail and property, between the centers of cities or their airports to suburban and outlying areas.

The services of these carriers have been utilized continuously by the Post Office Department. The Department of Defense has recognized their contributions to the development and operation of the military helicopter aircraft. Recently it has been estimated that the cash savings to military operators resulting from the service experience of the scheduled helicopter carriers is quite substantial. Without attempting to assign a precise dollar figure, it is clear that the minimum savings to the military are substantial in relation to the subsidy cost for the service. Apart from the military support for the service, civil defense authorities have also testified in helicopter renewal cases of the value of their services to civil defense, especially in the event of an emergency.

It is the Board's present view that the appropriation should be in an amount sufficient to enable it to pay the carriers on a timely basis. In any event, the Board will be before the House subcommittee again in just about 6 months from now in connection with its 1964 budget. As the committee is aware, this appropriation is of the no-year liquidation of contract type and is therefore to provide the Board with funds required to pay subsidy to the carriers as the subsidy becomes due. It is the Board's hope that should any further adjustment in 1963 requirements be called for, such adjustments will be taken into account at the time the 1964 estimates are considered rather than having it come back for a supplemental appropriation, which it surely must do if the amount now in the House bill prevails.

Summary of budget estimates, fiscal year 1963

Appropriation and activity	1962			1963			Difference, increase (+) or decrease (−)		
	Maximum number of permanent positions	Average number of all positions	Dollar cost	Maximum number of permanent positions	Average number of all positions	Dollar cost	Maximum number of permanent positions	Average number of all positions	Dollar cost
Salaries and expenses:									
Economic regulation:									
Personnel compensation and benefits	484	466	$4,156,100	519	500	$4,484,200	+35	+34	+$328,100
Other objects			593,000			618,000			+25,000
Total			4,749,100			5,102,200			+353,100
Safety activities:									
Personnel compensation and benefits	183	173	1,622,700	220	208	2,009,800	+37	+35	+387,100
Other objects			538,900			677,800			+138,900
Total			2,161,600			2,687,600			+526,000
Board adjudication, executive and legal staff activities:									
Personnel compensation and benefits	115	113	1,151,000	115	113	1,156,100			+5,100
Other objects			126,600			181,900			+55,300
Total			1,277,600			1,338,000			+60,400
Administrative services activities:									
Personnel compensation and benefits	91	87	612,800	94	91	636,500	+3	+4	+23,700
Other objects			88,900			135,700			+46,800
Total			701,700			772,200			+70,500
Recapitulation:									
Personnel compensation and benefits	873	839	7,542,600	948	912	8,286,600	+75	+73	+744,000
Other objects			1,347,400			1,613,400			+266,000
Total			8,890,000			9,900,000			+1,010,000
Net adjustment to base (see summary of requirements for detail)			+10,000						−10,000
Total appropriation	873	839	8,900,000	948	912	9,900,000	+75	+73	+1,000,000
Payments to air carriers, total appropriation			78,250,000			84,578,000			+6,328,000
Grand total, all appropriations	873	839	87,150,000	948	912	94,478,000	+75	+73	+7,328,000

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SALARIES AND EXPENSES, BUDGET YEAR 1963

Summary of requirements

Appropriation, 1962	$8,900,000
Deduct transfer to "Operating expenses, Public Buildings Service, GSA"	10,000
Base for 1963	8,890,000
Net difference, 1963 over 1962:	

By activity	Requirements		Difference, increase (+) or decrease (−)	
	1962 adjusted	1963 estimate		
Economic regulation	$4,749,100	$5,102,200	+$353,100	
Safety activities	2,161,600	2,687,600	+526,000	
Board adjudication, executive and legal staff activities	1,277,600	1,338,000	+60,400	
Administrative activities	701,700	772,200	+70,500	
Gross requirements	8,890,000	9,900,000	+1,010,000	1,010,000
Total estimate of appropriation, 1963				9,900,000

PAYMENTS TO AIR CARRIERS, BUDGET YEAR 1963

Summary of requirements

[In thousands]

Appropriation, 1962	$78,250	
Add unexpended balance brought forward June prior year (1961)	4,644	
Total requirements, 1962		$82,894
Net payments, 1962		82,894
Base for 1963		0
Requirement for 1963, by activity:		
Local service operations	$71,653	
Helicopter operations	5,863	
Alaskan operations	7,894	
Hawaiian operations	1,000	
Gross payments, 1963	86,410	
Less estimated refunds from carriers	1,832	
Net payments, 1963		84,578
Total estimate of appropriation, 1963		84,578

GENERAL STATEMENT

Senator MAGNUSON. Do you have a statement, Mr. Murphy?

Mr. MURPHY. Yes, I do, Senator. I can summarize that for you, if you want me to summarize it.

Senator MAGNUSON. I want to point out that Mr. Murphy, the Vice Chairman of the Civil Aeronautics Board, is appearing here. The Chairman of the Board is on a very important official mission out of the country. So we are glad to have Mr. Murphy and other members of the staff here. All right, Mr. Murphy.

RESTORATION REQUEST

Mr. MURPHY. First I would like to say we are delighted to have this opportunity to meet with the committee and review our needs, and also to get, if we may, some very valuable policy guides.

As an independent agency we recognize, of course, that we are an arm of the Congress, and are down there to carry out the policy as the Congress lays it down.

HOUSE ACTION

First I would like to address myself to the item of salaries and expenses.

The House approved, as you know, $8,900,000, but disallowed the entire $1 million increase requested in our budget estimate. We are now deleting before this committee two items totaling $119,000. $100,000 is for contract studies, which is out, and $19,000 is for two new positions in the Enforcement Bureau. We are requesting that the balance, or $881,000, be restored.

The reasons given by the House for the disallowance of our requested increase were twofold:

REASONS FOR HOUSE DISALLOWANCE

First, at the time of our hearings over there in February we had 73 vacant positions; and, secondly, the House indicated in its report it felt the current reorganization of the Board was underway, the results of which could not be evaluated. They indicated if further investigation indicates the need for additional staff it could be done next year.

CURRENT REORGANIZATION

I assume that by "current reorganization" the House had in mind the Reorganization Plan No. 3 of 1961, and the delegations of authority permitted thereunder. However, I would like to say in estimating this budget and constructing it, the Board took that into consideration. The budget was formulated on the premise that improved procedures, as well as delegations of authority under Reorganization Plan No. 3, would result in increased efficiency and productivity approximating 20 to 25 percent in 1963 over 1961.

POSITIONS NEEDED

We feel this is an optimistic goal. But we need 73 positions to maintain production even with this increased efficiency, and even with Reorganization Plan No. 3, the philosophy of which was really to expedite the discharge of our work, rather than relieve the staff burdens.

VACANCIES AND NORMAL TURNOVER

So the fact that there were 73 vacant positions as of February 16 of this year is not necesarily a true index of our need for additional employees in fiscal 1963. As we all know, naturally, there is at any given point in time a number of vacant positions due to turnover or difficulties in recruitment. I have noted this in the detailed statement I filed.

Senator MAGNUSON. Put that detailed statement in the record in full.

Mr. MURPHY. Yes, sir. Thank you.

(The prepared statement of Mr. Murphy follows:)

We appreciate very much this opportunity to appear before the subcommittee today in support of the Board's appropriation request for the fiscal year 1963. The first is a request for salaries and expenses. The House of Representatives approved $8,900,000, and in so doing disallowed the entire $1 million increase we sought in our budget estimate. We are requesting that $881,000 of this amount be restored. We are thereby deleting from our original request two items; namely, $100,000 for contract studies and $19,000 for two new positions for economic enforcement activities.

The House report gives two reasons for not allowing any increase: (1) the number of vacant positions at the time of our hearing last February; and (2) a then current "reorganization," the results of which could not be evaluated. The report goes on to say that "if further investigation indicates a need for additional staff they can be provided next year."

The reference to a "current reorganization" must come from our statements relating to Reorganization Plan No. 3 of 1961 and the delegations we hoped to make thereunder. The Board, however, took this factor into consideration in constructing its budget for 1963. As pointed out in the justifications, the Board has pledged its staff and facilities to a substantially greater effort in 1963. The budget was constructed on the general assumption that improved procedures, increased utilization of positions, increased productivity of personnel, additional delegations of authority and other improvements in operations would result in increased efficiency and production in a general order of magnitude approximating 20 to 25 percent in 1963 over 1961. We estimated that we would accomplish more work per position as well as more in total. We said that this goal might be too optimistic, but that we would strive hard to meet it. Without the additional help we requested, however, it would not be a matter of too much optimism, but foolish optimism.

I would now like to turn for a moment to the 73 vacant positions noted in the House report. The point in time to which we are referring was February 16, 1962.

Nine of the vacancies were field auditor positions. First, let me note that we did not request any new auditor positions for 1962. All of those vacancies were the result of turnover. And, we are not requesting any new auditor positions in 1963. Auditors are very difficult to recruit and retain. In fact we had to send a man to a number of universities to recruit replacements. He was successful in interesting enough young men in the work of the Board to fill our auditor and accountant vacancies, although some of these did not enter on duty until they completed their schooling in June.

Having had these vacancies at the time of the hearings did not, and does not, lessen our need for auditors. In fact, our audit workload has increased during the year as a result of increased emphasis on the financial status of the supplemental air carriers and the new type field audits required under the local service subsidy class rate. Even if we could keep all auditor positions filled during 1963, we would not be able to accomplish our planned audit program. We do not see how we can audit more than half of the 24 nonsubsidized certificated air carriers during 1963. Also, you may be interested to know that we cannot plan to perform any audits on air freight forwarders.

Five of the vacancies were hearing examiner positions. Each of our hearing examiners has a secretarial assistant so a total of 10 positions was involved. Here, again, positions became vacant through turnover (mostly retirement). Recruitment was delayed because the Civil Service Commission had opened the hearing examiner register and placed a temporary freeze on employment pending the establishment of a new register. We have since filled three of the examiner positions. We do not have a surplus of hearing examiner positions, considering the state of our docket and the greater speed with which you want us to move.

Eighteen of the vacancies were safety investigator positions. This is another area where we experience recruitment difficulties, particularly in the engineering and other specialist categories. We have since been successful in getting all but six of these positions filled. We need every single one of them. Safety is an area where we are requesting additional staff for 1963, and I will cover this in more detail a little later.

Twenty-one of the vacancies were stenographers, typists, and other clerical positions. For the most part, these positions were temporarily vacant because of turnover. A few were associated with the technical positions mentioned

above and their filling was purposely delayed pending the filling of such technical positions. The Board, like other agencies, has a never ending problem to recruit people to perform these clerical functions.

I have so far accounted for 58 of the 73 vacancies. The remaining 15 were scattered throughout the Board's organizational units and were largely the result of turnover. They consisted mostly of air transport examiners and attorneys.

Naturally, at any point in time we will have vacant positions. Normally we anticipate that about 2½ percent of our authorized positions will be vacant. On this basis, our 1963 budget estimates projected that year-end employment—that is, as of June 30, 1962—would be 851. By comparison, the number of employees on our payroll as of June 30, 1962, was 836. We missed, but everything considered, including such unusual situations as I mentioned earlier with respect to hearing examiners, we did not do too badly. We expect to do much better in recruiting people, however. Our supervisors are not only more impressed than ever with their responsibilities for recruiting, but we are better organized to do the job.

In this connection, you will be glad to know that we did not go out and spend the money from these vacant positions foolishly. As a matter of fact, we did not spend it at all. We turned back almost $400,000 from our 1962 appropriation.

Before going into the new positions we have requested for 1963, I would like to call attention to the fact that the $1 million increase we requested for 1963 included $156,000 for annualization of the 71 new positions added in 1962. This amount for annualization is necessary if we are to continue our 873 authorized positions through 1963. The amount is roughly equivalent to 15 positions. In other words, if we are denied the annualization money we will even have to effect a reduction in the number of positions we had last year.

Next, I would like to address myself to the 75 new positions we requested for 1963. They are distributed among the Board's various activities as follows:

Thirty-five are for economic regulation activities, of which—

Six are related to route matters, including three for handling supplemental and specialized air carrier authorizations;

Six are for rates work;

Two were for economic enforcement. These two positions (total $19,000) were requested to permit increasing the number of investigations of alleged or suspected violations. We have determined that we will not seek restoration. We will do the best we can with what we have;

Five are for electronic data processing work; and

Sixteen are for economic research and statistical studies, technical analytical assistance to the hearing examiner staff, initiation of a cargo origin-destination survey, and integration and improvement of the domestic and international passenger origin-destination surveys.

Thirty-seven are for safety activities; and three are for overall administrative support services.

With respect to the 12 new positions requested for the route and rate areas of our work, our efforts in these two areas have a substantial bearing on the industry's financial condition. While convinced that fare increases, alone, cannot restore earnings to reasonable levels, the Board recently permitted a passenger fare increase of 3 percent. No one expects this action to do more than alleviate the immediate financial situation. The Board recognizes that the attack must be made on many fronts and in long-range proportions. It is working closely with the airlines on such problems as no-shows, pooling of facilities and reduction of unnecessary and costly cabin frills to effect a reduction of operating costs.

Also, the Board can and is directed to control competition between carriers as it related to the number permitted to serve a given market or area. We have embarked upon a broad reassessment of the overall pattern of air carrier operation in this country. No one would dispute that the size of the jets, their operational characteristics, and the burdensome cost of their acquisition, may entail a revolution in the accepted concept of adequate and efficient service. The Board is approaching this problem from several facets.

To name only two—we are reevaluating the need for multiple-carrier certification in those markets now receiving services from three or more carriers. This requires striking a valid balance between the need for an adequately competitive airline system and the increased cost which is frequently the result. The Board is also pursuing a program designed to streamline the provision of air

service through the use of centrally located regional airports. This, in turn, requires a delicate evaluation of the relative public interest in the availability of airline services at individual communities as compared with the establishment of a service framework which will permit the economical use of larger aircraft or more frequent services.

We expect that we can meet these problems in the routes area and that a reduction in backlog can be achieved with the increase requested and by the implementation of additional new procedures and techniques, including EDP assistance.

With regard to the supplemental air carriers, Congress enacted legislation which was signed into law on July 10, 1962, providing for permanent certification of supplemental air carriers. Pending permanent certification the Board is empowered to grant interim authority for supplemental air service, but such authority must be granted, if at all, within 90 days of the enactment of this legislation. The excessive workload demands of the next 3 months brought about by the need to act, within 90 days, on the interim authority and the long-term demands for the processing of permanent certification will make the burden on the existing staff exceptionally heavy for some time to come. Over and above the applications expected from carriers currently authorized to provide supplemental air service, the Board has on its docket numerous applications by persons seeking supplemental authority. In all, there were approximately 125 such applications pending as of June 30, 1962. Many of these applications have been on file for a considerable period of time and it was hoped that with additional manpower it would be possible to reduce this backlog.

We have somewhat similar problems in the airfreight forwarder field, where, as of June 30, 1962, 45 applications for airfreight forwarder authority were pending. With an additional position it was hoped that this backlog could be reduced and, in addition, much needed research into the regulatory policy applied to airfreight forwarders was to be undertaken. Failure to obtain an additional position for this work will not only adversely affect the Board's ability to keep abreast of current applications filed for airfreight forwarder authority, but will result in neglect of a study of vital problems affecting the aircargo industry in general and the airfreight forwarder segment of that industry in particular.

In the commercial rate and tariff area, our basic objective for fiscal 1963 is to assure a financially sound commercial air network, for commerce and national interest purposes, by maintaining insofar as possible a current docket as regards domestic and international cargo and passenger rates, compensation for priority and nonpriority mail, and rates paid by the Military Establishment, and by processing as many important backlog rate matters as the Board's resources will permit. The volume of work in this field is essentially beyond the Board's control since it originates in large part by statutory filings by carriers or other members of the public.

Six additional positions were requested for this area of activity on the basis of (1) an upward trend would continue in the future and (2) the need to process new commercial rate investigations on a current basis and to substantially reduce the backlog of pending cases.

Subsequent experience has demonstrated that the forecasts of workload units for 1962 and 1963 were unduly conservative. For example, it was estimated that there would be approximately 38,500 tariffs filed in 1962 and 42,000 tariffs filed in 1963. The 1962 estimate was based on the then current volume of filings and represented an increase of 24 percent over the actual volume of filings in the preceding fiscal year. Fiscal 1962's actual total, however, reached 42,800—about 11 percent more than estimated and 38 percent above the total for fiscal 1961. On the basis of this volume of tariff filings, we are now estimating for 1963 that a total of 52,000 tariffs will be filed with the Board. This volume is approximately 24 percent above the level estimated in connection with the 1963 budget request.

The increase in tariff filings, as well as other factors, is translated directly into an increasingly greater burden of substantive work in the form of formal (and informal) proceedings resulting from such filings. The passenger and property rate proceedings involving the suspension of particular tariffs must be accorded a high priority so as to complete the proceedings within the 6-month maximum suspension period. Thus, the resources of the staff assigned to rate investigations other than suspension cases are for the most part those which are left over from other activities such as tariff review, IATA agreement activities, and military exemptions. As a result, there is a sizable backlog of investi-

gations which there are no reasonable prospect of getting underway in the foreseeable future with the current staff.

The number of formal rate proceedings processed is also running substantially ahead of the estimates made in conjunction with the requested increase of six positions for the commercial rate area of activity. The actual total for 1962 was 63 compared with the estimate of 53. We now estimate 80 such work units for 1963 as compared with 59 earlier estimated. The additional personnel requested is essential for this activity so that future proceedings may be handled on a relatively current basis and to permit a reduction in backlog cases.

Very important to our plans and expectations for 1963 is the implementation of the electronic data processing system initiated in 1961. In 1962, we sought and were provided funds, and have since devoted our efforts to the developmental aspects of this program. We are well along in this developmental phase, having accomplished the design of the main processing systems for the passenger origin-destination survey and form 41 financial and operating data. We are now in the machine programing phase of these systems. We have reached the point where we will commence to get some benefits within the next few months. Fiscal 1963 is the year of conversion, and we are now between the old process and the new. We cannot go back but must continue on the course which has been set. This is the direction we want to go, because once this conversion is accomplished, route and rate cases can be materially expedited through the electronic processing of voluminous exhibits now prepared manually. However, we cannot expect to obtain the potential benefits of this system unless we can get production from it. Denial of the five positions requested for this work will deprive the Board of one of the most important elements by which it will be able to bring about an increase in efficiency. If we are unable to obtain the needed personnel, our hopes for increased productivity and production must suffer accordingly.

Fundamental to all phases of the Board's work is an improved understanding of current and anticipated air transportation problems and probable solutions thereof. Essential to this improved understanding are up-to-date trend analyses, special studies, and forecasts. The forecasts and studies to be performed by this staff will be coordinated with the overall needs of the Board through the Planning Office. In this connection, the Board is requesting an increase of four positions for the research and statistical activity to more adequately meet the Board's need for this type of specialized assistance.

The Board's Planning Office became operational during the fiscal year 1961. The functions of this Office include initiating, conducting, and coordinating studies of Board operations and industry conditions in order to recommend to the Board policies and programs designed to speed the Board's work, meet the needs of the aviation industry and serve the public interest. This Office is currently operating with a total staff of five positions and it is planned to continue the staff at the same level in 1963.

The Planning Office, because of its size, must rely heavily on other activities of the Board, and in particular the statistical and research activity, for assistance in the gathering and furnishing of data and the performance of studies and forecasts. The increase in staff requested for the statistical and research activity is, in part, directly associated with the Planning Office program.

In this connection, the Board's 1963 budget estimates contemplated that it would be necessary to have certain types of studies performed on a contract basis. The estimates included a total of $100,000 for this purpose. We are withdrawing our request for such funds. Instead, we now propose to accomplish such studies with our own staff. In withdrawing this request, we realize that we will not be able to do all of the studies or to move as fast as we had hoped.

Four of the new positions are for providing an increase in technical, statistical, and analytical assistance. Our projected accomplishments in 1963 of greater output and reduction in accumulated backlogs is also based upon the provision of increased specialized analytical and technical assistance to the hearing examiner staff by the Board's statistical and research activity. The increased need for such technical assistance arises from the characteristics of today's cases. For example, exhibits and other evidence introduced in cases are numerous, detailed, and technically complex. They involve such complex data as passenger costs by fare classes, such as first class, coach and economy, by plane type, and cargo costs by commodity, shipment size, and weight, and so forth. Experience has demonstrated that the use of the specialized knowledge and skills of the statistical and research staff in this manner not only expedites the

processing of cases but enables the hearing examiners and other activities of the Board to perform their work more effectively as well as increase their productivity.

The 1963 work program includes planning and initiating origin-destination (O. & D.) surveys of aircargo traffic that will provide information required by the Board and the carriers to anticipate and resolve route, rate, and other problems created by the new activity and growth developing in the aircargo field. The Board does not now make aircargo O. & D. surveys, nor are aircargo O. & D. data compiled on a regular or comprehensive basis by any other organization. Lack of such data is of increasing concern as it represents a major gap in the statistical information so essential for both route and rate purposes and for which an immediate need exists. Five of the new positions are for this program.

There also is an urgent need for a comprehensive reevaluation and overhaul of both the domestic and international O. & D. surveys of air passenger traffic, to integrate the separate domestic and international procedures, improve the quality of the statistics, provide additional detail information needed by the Board such as new breakdowns by fare classes (first class, coach, etc.), a more complete description of trip routings (by adding cities of intraline transfer), a better method of classifying international trips in terms of freedoms (needed for bilateral negotiations with foreign countries), and overall improvement in the efficiency of procedures that will benefit both the carriers and the Board. Many of the current procedures have not been changed since 1946 and have long outlived their usefulness. A joint CAB-industry plan for accomplishing this is under consideration. Three of the new positions are for this work.

With respect to the 37 new positions requested for our safety work, our safety problems have multiplied manyfold during the past few years, with planes flying faster and higher, carrying many more passengers and more complicated automatic equipment, powered by new types of engines, and with improvements in all areas of the aviation industry taking place at a very rapid pace. This is true over a wide range of aircraft—from the small private and executive-type planes to the large transcontinental jets. Safety in air transportation takes on added importance with these developments.

Our safety program for 1963 anticipates accomplishment of an increased number of field investigations, a reduction in the accumulation of incomplete accident reports, improvements in coverage and quality of accident investigations, particularly with respect to maintenance factors, increased accident prevention activities, and expansion in training of technical personnel to an adequate level.

Fifteen of the new positions for safety are to permit the implementation of a 5-year training and career development program for the technical people. The conduct of the Board's safety investigation activities requires highly specialized personnel. These personnel must be highly qualified when initially employed and then afforded an opportunity to stay abreast of the state-of-the art since they must supervise and direct the activities of highly qualified Government and industry specialists in the various phases of an accident investigation. To do this, an opportunity for training must be provided on the various new types of aircraft with their complicated systems, advances in the air traffic control and air navigation field and on the new techniques and procedures constantly being developed and incorporated in aviation operations.

During the past several years the Board has not had sufficient personnel to handle investigations, even though many thousands of overtime hours have been worked, and therefore has not been able to undertake any appreciable amount of training. It is not conceivable that any group of men can maintain their proficiency and acquire the knowledge necessary to keep abreast of such a broad and ever-changing technical field without substantial training assistance.

Accordingly, the Board is proposing to undertake, commencing in 1963, a training program designed to provide each member of its technical safety staff with training in the fields of aircraft operations, structures, powerplants, and electronics.

More specifically, the training program would provide for each technical member of our safety staff to be in training for a total time approximating 6 weeks each year. This training will take several forms. It will include on-the-job training, assignment to formal training courses (both flying and nonflying technical courses), attendance at technical seminars, conferences and meetings, and review of technical papers and reports.

When a wide variety of operations, services, aircraft, aircraft systems, powerplants, and air navigation and air traffic control aids which the investigators must study and analyze in the performance of their duties are considered, this training program, we believe, is a modest one.

A total of 10 positions is requested for field assistance in the maintenance and wreckage reconstruction area to permit us to expedite and improve the quality of the investigations. We have deemed this particularly important in the general aviation area since there has been a marked increase in the number of multiengine aircraft, helicopters and the more complicated single-engine aircraft. This has created a need for an investigator with a broad airplane and engine maintenance type background to assist in the investigations. It is also planned to utilize these personnel on the mockup (reassembly) of wreckage on the large complicated accidents to expedite the investigations.

Seven of the positions were requested in order for the Board to cope with the additional workload we anticipate will develop from future accidents, and to assist us in dealing with the increasing complexity of aircraft accidents. These positions will permit us to reduce overtime and backlogs and enable the Board to meet its objective of improving the quality of accident investigations in both air carrier and general aviation, and to reduce the time factor between the occurrence of an accident and the issuance of the final report.

During fiscal year 1962 the Bureau of Safety staff performed approximately 22,958 hours of uncompensated overtime. Nevertheless, at the close of the fiscal year 1962 there were 625 uncompleted accident investigations on hand. In addition, also on hand awaiting disposition were 2,206 investigation reports received from the FAA and requiring determination of probable cause and final processing.

Five of the new safety positions are requested for the purpose of increasing our accident prevention activity.

The Board is responsible for making special studies and investigations pertaining to safety in air navigation and the prevention of accidents, to ascertain what will best tend to reduce or eliminate the possibility of or recurrence of accidents. These investigations originate from studies of the factfinding information developed by specific accidents and incidents, accident and incident trends developed from accident statistics, safety recommendations from various sources and from the study of aeronautical hazards. Currently, it is impossible to devote more than a token effort to the Board's safety promotional activities due to requirements for staff to perform accident investigation factfinding and related work. The accident investigation prevention work is of primary importance since it results in the form of practical recommendations to the industry (transport, general aviation, and manufacturing), the Federal Aviation Agency and other Government agencies. These recommendations are made for effecting corrective action and will prevent the occurrence of future accidents or incidents with resultant savings in equipment and lives. The determination of facts, conditions, and circumstances in accident investigation is wasted unless these factors are evaluated through further investigation, research, and study and developed into sound practical recommendations for effective corrective action.

In total for salaries and expenses, we are requesting that the bill be amended to provide an appropriation of $9,781,000 in 1963. This represents an increase of $881,000 over the 1962 appropriation. It also represents a decrease of $119,000 from the budget estimate.

With respect to our second appropriation, "Payments to air carriers," the estimates request an appropriation of $84,578,000 for 1963. The House bill provides $71,900,000 for payment of subsidies in 1963 and is a reduction of $12,678,000 from the $84,578,000 requested in the budget estimate. Also, the language of the bill contains a limitation on the amount available for subsidy for helicopter operations. Under this limitation, the budget estimate provided $5,850,000, as compared with $4,975,000 allowed by the House, a reduction of $875,000.

We have been studying our needs for subsidy since the February hearings and are currently engaged in making the studies and forecasts as to subsidy requirements in connection with the preparation of our 1964 budget estimates, which, of course, involve a complete review of 1963 requirements. We have determined that our prior estimates could be adjusted downward by $1,500,000.

Accordingly, we are requesting that the bill be amended to restore the appropriation to $83,078,000. This represents an increase of $11,178,000 over the House allowance, and a decrease of $1,500,000 below the budget estimate.

In constructing subsidy estimates, we are confronted with many variable and influencing factors. We have made our estimates as accurate as possible and, therefore, they represent the Board's best estimate of the funds that will be required to pay the carriers' bills as they become due under rate orders now in effect, or expected to be in effect, during the fiscal year 1963.

During House consideration of the bill, assurance was given that needed services to small communities was not intended to be curtailed. However, the Board does not see how a cost saving of anywhere near a magnitude of $12 million could possibly be achieved without cutting into needed services of the smaller communities, and in some instances, entirely cutting out needed services.

The Board is in full accord with the objective to reduce subsidy and has an established and operating 4-point program for reversal of the upward subsidy trend. This program is not, however, of sudden crash proportions. Its achievement depends upon (1) the suspension or curtailment of service, under the Board's use-it-or-lose-it policy, at points where traffic generation is inadequate; (2) the strengthening of the carriers' route systems so that revenues will increase more rapidly than costs, thus resulting in a corresponding reduction of subsidy need; (3) the integration of services for various cities through the regional airport concept, which will reduce costs and accordingly reduce subsidy; and (4) the realization of the full potential of the more modern aircraft purchased by the smaller carriers, many of such aircraft being covered by Government loan guarantees.

This 4-point program is well underway, but its benefits cannot—for reasons of due process, and practical considerations—be realized until after July 1, 1963. Route actions, whether suspensions of weak points or addition of strong traffic generating centers, must follow statutory hearing requirements which take time. The same is true of the regional airport concept. The re-equipment cycle is well advanced, but the full integration of such equipment into the carriers' systems is not concluded; 1964, not 1963, should be the year of realization of substantial benefits of such aircraft in terms of subsidy reduction.

In addition, as directed by the President's transportation message of April 5, 1962, our staff is working, on a top priority basis, on a report to be submitted to the President before June 30, 1963, setting forth a comprehensive program aimed at gradual but significant subsidy reductions on a scheduled basis.

In this connection, the Board has been assured of industry cooperation in this endeavor, with the appointment, under the auspices of the Association of Local Transport Airlines, of a committee of industry officials to work with and advise the Board's staff on various aspects of the program.

Our 1962 appropriation included a provision, inserted by the Congress, limiting the amount of subsidy that could be paid for helicopter operations during the 1962 fiscal year to $6 million. This limitation was met by the carriers who, in conjunction with our staff, worked out plans whereby their subsidy need for 1962 will not exceed the $6 million ceiling.

The $5,850,000 subsidy requested for helicopter operations in fiscal year 1963, a reduction of $150,000 from the amount allowed in 1962, will support the presently certificated helicopter operators only on a substanially curtailed basis. With this subsidy limit, the carriers have curtailed the scope of their operations by not instituting service to new points; reducing or eliminating the relatively less productive services, including mail/cargo or mail only schedules, and by effecting such other economies as are feasible.

The recent introduction into service of the turbine-powered, twin-engine helicopter is as near a true technological breakthrough as we have seen in recent years. High operating cost has been the greatest deterrent to rapid growth in this phase of aviation. However, it is anticipated that the turbocopter will make substantial inroads in direct operating costs and should prove a major factor in ultimately reducing subsidy.

It is our view that the appropriation should be in an amount sufficient to enable us to pay the carriers on a timely basis. We will be back before the House subcommittee just about 6 months from now in connection with our 1964 budget. It is our hope that any further adjustment in 1963 requirements can be taken into account at that time rather than having us come back for a supplemental appropriation which we surely must do if the amount now in the House bill prevails.

That completes my statement and I will attempt to answer any questions you may have.

RECRUITMENT PROBLEMS

Senator MAGNUSON. As I understand it, when you appeared at the hearings—that was in February, was it not?

Mr. MURPHY. February 19.

Senator MAGNUSON. The 73 vacant positions were positions authorized, but not filled?

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. How many of those have you filled since that time, if any?

Mr. MURPHY. I will say the majority of them have been filled, Senator. Maybe Mr. Russell can give you the exact amount.

PRESENT PERSONNEL STRENGTH

Mr. RUSSELL. As of June 30, we had 836 employees on the rolls against our 873 authorized positions. If I figure that correctly, it is 37 still vacant.

Senator MAGNUSON. Is that due to problems of recruitment?

Mr. RUSSELL. It is due to problems of recruitment. In addition, there are about 10 of those 37 positions that we have not filled for, I will say, special purposes. For example, in the hearing examiner area, last February we had five hearing examiner positions vacant, and temporarily we were frozen on employing new hearing examiners because the Commission reopened the examination and was establishing a new one. At this time we have filled three of the five vacancies. With those, with each one of the examiners, goes a secretarial assistant.

WORKLOAD OF MERGER APPLICATIONS

Senator MAGNUSON. Would it be a fair statement to say that just as it was mentioned here informally, the applications for mergers which have been quite frequent in the past 18 months, require more work for examiners, or longer periods of time? They are bigger cases, are they not?

Mr. MURPHY. I would say, of course, we have only one pending.

Senator MAGNUSON. Yes, but you have a lot of them.

Mr. MURPHY. There have been many rumors, but actually only one rumor that resulted in the actual presentation of a merger proposal to us. That is a very complex case. It is the biggest merger proposal in the history of the air transportation business, and therefore a big proposal in the entire transportation field. It takes the time not only of an examiner, but a good deal of our staff's time—the Bureau Counsel, who intervenes in these cases, and our economists, and analysts, and so forth, that work along with him. We have tried to expedite procedurally a case of that character, but the expedition would extend only to procedural matters and would certainly have nothing to do with substantive consideration.

ANNUALIZATION COSTS

Senator MAGNUSON. The $881,000 would supply how many of the 73 vacant positions which were authorized, but not filled, when you appeared before the House? Do you have those figures?

Mr. RUSSELL. The $881,000—maybe I can put it this way: The $881,000 is intended to cover what we will say is a full year's cost of the 873 positions authorized for 1962. In addition, it would cover 73 new positions for 1963. In the $881,000, for example, is $156,000 for annualization of the 71 positions we added in 1962.

RECRUITMENT PLANS

Senator MAGNUSON. But you would try to recruit the full complement of the 73, if this amount were restored?

Mr. RUSSELL. We would certainly hope our recruitment efforts would enable us to hit what we say should be normal employment. By "normal" I mean our experience has been that we would have about 2½ percent of our positions vacant at any point in time on the average. That is simply as a result of turnover.

Senator ELLENDER. Since you did not employ all of these people in 1962 with the shortage of 73 positions, or whatever it is, what became of the money appropriated for that purpose?

AMOUNT RETURNED TO TREASURY

Mr. MURPHY. I have been advised, Senator, and I stand to be corrected if I am wrong, we turned back about $400,000 to the Treasury for last year.

Senator ELLENDER. You say the $881,000 you are now asking for is to pay the remaining employees that you could have hired last year, plus 70-some-odd?

Mr. MURPHY. Seventy-three. Yes, sir.

Senator ELLENDER. To what extent has your workload increased in order to justify the 72 more than you had last year?

INCREASE REQUESTED FOR SAFETY ACTIVITIES

Mr. MURPHY. If I may, I would like to address myself to the two basic phases of our work—air safety and economic regulation.

We are asking for 37 new positions for air-safety activities. This is not necessarily due to an increase in work burden as such, although I think it is prudent to anticipate that there will be an increased work burden on the Bureau of Safety. The greater number of hours of flying and greater number of aircraft in the air and greater number of passengers, and so forth, would require it. However, of these 37 new positions which we are asking for the Bureau of Safety, 15 of them are to permit us to implement what we believe is a modest but quite necessary training program. It is quite important that our safety inspectors and the specialists in the Bureau of Safety be highly qualified when they are employed, but equally important that they maintain a certain level of current familiarity with new types of aircraft, engines, and so forth.

Senator ELLENDER. How long do they remain in school for training?

Mr. MURPHY. I believe it is a training program we propose to implement. We have not had it up to this time, and if we get these 15 positions, I think we can.

Senator MAGNUSON. About 6 weeks each year?

Mr. MURPHY. It will be about 6 weeks each year.

Mr. RUSSELL. That will be the combined time of training involving several different types of training.

Senator ELLENDER. I understand, but more than 15 people?

Mr. RUSSELL. Oh, yes. It would be the entire technical staff of the Bureau of Safety. But we say that it would take the 15 people to give us this 6 weeks time which is necessary for each of the total technical staff to take the required training.

Senator ELLENDER. I can see the House's position. We provided you last year with sufficient money to hire X number of people, and you were short by 73 in February. And here you are asking to implement that and asking for 73 more.

AUDITORS' POSITIONS

Mr. RUSSELL. I would like to remark we are talking about different positions in part now. In our 1963 budget we do not request any additional positions for auditors. In fact, we show a reduction of two auditors in our budget. Last February, when we appeared before the House, we had, as I recall it, 14 positions vacant in our Audit Division. They were vacant because we couldn't find auditors to put into those positions. Today, or I should say in the meantime, we have been faced with the audits of the supplemental carriers, in part, related to the legislation that the Congress recently passed. We have also had to expend extensive audit effort in going ahead with our subsidy class rate. So we have a shortage of auditors—not an excess. We had 14 of those jobs vacant. We need every one of them. In fact, it looks like, in 1964, we are very apt to be coming back here and saying that we need more than we now have in terms of positions.

INCREASE IN TOTAL EMPLOYMENT

Senator ELLENDER. I would not be surprised, because that is usual. Every year you build it higher and higher and that's the way it has been ever since I have been here.

Mr. MURPHY. That is correct, Senator. It is generally the history of all Government organizations.

Senator ELLENDER. That is correct.

Mr. MURPHY. I do not think the Civil Aeronautics Board is different from any other organization, but I am a little proud of the fact that if you look at the historic trend, the growth in the Civil Aeronautics Board, you will see a very small growth, and that we are one of the tiniest of all the Government agencies, and yet our responsibility for regulation, safety, and so forth and so on, encompasses the activities of a pretty big industry.

STATISTICS ON GROWTH

Senator MAGNUSON. Let us put in the record just how you have grown. In 1961 you had 802 permanent positions; in 1962 you had 873; and in 1963, 948.

Mr. MURPHY. That is, if we get the new positions.

Senator MAGNUSON. Yes. No, I think this figure is not including the new ones.

Mr. RUSSELL. Yes; 948 would include the 73, or 75 actually, that we are requesting for 1963.

INCREASES FOR SAFETY BUREAU FIELD OFFICES

Mr. MURPHY. I believe, with respect to the Safety Bureau, that about 10 of the new positions, of these 37 I am speaking of now, would be for additional personnel in our field offices. We have 10 field offices ranging from Anchorage, Seattle, San Francisco, Los Angeles, Fort Worth, Chicago, Denver, and so forth. There we have noticed a tremendous workload in these field offices, not only in connection with commercial accidents or accidents in commercial aviation, but also in general aviation. This is where there has been a tremendous growth in recent years.

TOTAL AIRCRAFT AND ACCIDENT RATE

For example, there are 73,000 registered general aviation aircraft in the United States, and there has been a rather marked increase in the number of accidents and the number of fatal accidents in general aviation. We have a responsibility for the investigation of these accidents and the determination of probable cause of a fatal accident involving general aviation aircraft. We do the best we can, and we have a backlog in that area. I would like to make some inroads on it. We think we have a duty to the public to do that, so we would be able to put another man in these various field offices, and probably move ahead in that direction.

INVESTIGATION OF GENERAL AVIATION ACCIDENTS

Senator MONRONEY. May I ask a question there?

Senator MAGNUSON. Surely.

Senator MONRONEY. For quite a while you bucked that over to FAA, did you not? You did not investigate general aviation accidents unless there was something unusual, or there was something different about them. The routine way of handling general aviation accidents was by report to you from FAA. That was changed on the urging of the Aviation Subcommittee that you give more attention to the general aviation fleet, which now is by far the largest—about 73 to 75,000.

DIVISION OF INVESTIGATION FUNCTIONS

Mr. MURPHY. I think that is correct, Senator. Under the present arrangement the FAA at our request conducts investigations of nonfatal accidents in the general aviation category.

Senator MONRONEY. Do you make all fatal accident investigations?

Mr. MURPHY. All fatal. If we were to come before this committee and ask for the personnel to do that job, I am afraid the numbers in comparison to the number of people we have now would be so substantial that the committee might take a dim view of it. But it is a responsibility which the Congress entrusted to us which we would like to discharge. The FAA cooperated in that regard, but when they send reports over, Senator, we have to screen and analyze every one of those reports.

Senator MONRONEY. Many times in these accident investigations, and there are also some nonfatal ones, you find minor defects which can easily be corrected, and contribute a great deal to air safety.

Mr. MURPHY. Incidents, as you pointed out, many times are productive of more sound safety practices than accidents—many times. You have the aircraft and the people surviving and are able to get the facts much better than if you are running around picking up little pieces of a tangled wreck, with everybody dead. So from that standpoint the investigation of incidents from a safety and preventive point of view are equally important, and maybe more important, than the investigation of fatal accidents.

METHOD OF REPORTING ACCIDENTS

Senator MAGNUSON. How are accidents reported to you? By the FAA, or do they come to you initially? I am talking about accidents or near accidents.

Mr. MURPHY. Mr. Tanguay, the Chief of our Bureau of Safety, is here, and I am sure he will give us the detail on that.

Senator MAGNUSON. Come up here, Mr. Tanguay. I am asking the procedure.

How do you operate? Suppose there is an accident this morning some place. When will the Civil Aeronautics Board get the report of that, and how would they get it?

Mr. TANGUAY. I can use as an example the accident that occurred in Knoxville last evening.

Senator MAGNUSON. Right; that is up to date.

Mr. TANGUAY. As soon as the accident occurred at 17:31 eastern standard time—at 19:15 eastern daylight time I had received a note from one of the boys over at the United Press office, and about 5 minutes later we got a note from the FAA Communication Center. This is the way they usually come to us. Most of the time it is direct, either from the local police, the State police, or through the FAA Communications Center, or through the newspaper boys here in Washington.

Senator MAGNUSON. But officially and technically the FAA reports the accident to you people first?

Mr. TANGUAY. They report it to us first, if they get it. I would not say that was officially, though. They do have a system of communications throughout the United States.

Senator MAGNUSON. And that gets to you.

Mr. TANGUAY. And, of course, their people usually give the notification to the office and we get it in turn.

Senator MAGNUSON. Yes.

NUMBER OF CAB PERSONNEL IN WASHINGTON

Senator ELLENDER. How many of your people are hired in Washington?

Mr. MURPHY. In the Safety Division?

Senator ELLENDER. No, in the entire complement.

Mr. MURPHY. I would say roughly probably 90 percent are here.

Senator ELLENDER. Ninety percent?

Mr. MURPHY. Of course, we have auditors on the road. These fellows live out of suitcases generally.

Senator ELLENDER. Is that the 10 percent?

Mr. MURPHY. Well, plus our 10 field offices, safety offices, and what else do we have, Mr. Russell?

Mr. RUSSELL. We have our auditors, our safety people, and we have the little liaison office in Anchorage. Out of our total staff today of 873 positions, we have 118 in the field.

Senator ELLENDER. And the rest in Washington?

Mr. MURPHY. The rest are in Washington. We are all housed in the Universal Building at the corner of Florida and Connecticut Avenues. I think we have six floors.

Senator ELLENDER. The Cafritz Building.

Mr. MURPHY. Yes; we have six floors there.

Senator ELLENDER. A beautiful building.

Mr. MURPHY. Quite adequate.

Senator MAGNUSON. Are there any further questions on salary and expenses?

BACKLOG IN ACCIDENT INVESTIGATIONS

Senator KUCHEL. Mr. Chairman, in connection with the comments which Mr. Murphy is using today in which he has stated that at the end of fiscal year 1962 there were 625 uncompleted accident investigations on hand, will you state for the record whether this is an unusually high number and in addition, what is the average number of uncompleted accident investigations which you would have on hand at any one particular time?

Mr. MURPHY. First of all, I believe it is an unusually high number, Senator, to have on hand at any one time.

(The following was later submitted:)

With respect to the question concerning average number of uncompleted accident investigations on hand, it is believed that approximately 150 would represent a reasonably current workload status. The figure of 150 would be equivalent to about 2 months receipts.

INCREASE IN ACCIDENTS

Senator MAGNUSON. Can you answer that? You can put in the record the exact amount. But generally speaking, are the number of accidents increasing in the recent past, or are they less?

Mr. TANGUAY. The total number of accidents and incidents in the past year has increased approximately 17 percent. Is that the answer you want?

Senator MAGNUSON. Yes. You can put in the record the exact figures.

(The information referred to follows:)

The total number of aircraft accidents and incidents, requiring direct investigation by the Civil Aeronautics Board, was as follows:

Number during fiscal year:	
1960	871
1961	791
1962	926
Percent increase:	
1962 over 1960	6
1962 over 1961	17

The Board, in constructing its 1963 budget estimates, used a 5 percent increase factor based on trend data beyond the fiscal years shown above and believes that 5 percent is a more realistic projection than the percentages shown above.

PERSONNEL RETIREMENT AND EMPLOYMENT REDUCTION

The Chairman is trying out an idea here and it just is an idea. This committee is quite concerned with the growing number of people in Federal employment and the apparent inability to repeal Parkinson's law. We can, of course, only discuss the agencies we have under our jurisdiction, which are many. I am going to ask the Vice Chairman to have the Board consider this.

In 1961 you had 16 retirements. In 1962 you had six retirements, and in fiscal 1963 you will have six more. We are going to suggest as a trial run that when these people retire you naturally will move people into their particular jobs, but you do not hire anybody else and see how long you get along.

Mr. MURPHY. We will be very happy to comply with that request, Senator. I don't think that would place any——

Senator MAGNUSON. In other words, retirement, instead of being used just to reevaluate as in good business where retirements are often used to reevaluate the operation, is not being used for the same purpose here. You will be amazed at how many times you will see you can get along. Of course, it does not involve the fact that you need new people for new positions, but as these people move out, and it is a small number, they move somebody else in. When a fellow retires from a $16,000 job you move another fellow in, and instead of hiring one fellow down below you hire three. That is where Parkinson's law comes in.

See what you can do with it. We will have six coming up this fiscal year. There are 50,000 people retiring for age from the Federal payroll every year. We are just hopeful that we can use this as a method, and it surely is the best way to go at it. It is the most humane way, because you do not fire anybody. See if you can hold it at a plateau or tighten up on some of this. You need new employees in many cases for new positions, but in the normal run of your administrative activity I mean.

Mr. MURPHY. It sounds like a good suggestion, and a very sensible one.

Senator MAGNUSON. If we can even get six we will be making some kind of a dent.

ADMINISTRATIVE CHANGES OF EMPLOYEES

Senator ELLENDER. Mr. Murphy, when were you appointed and qualified?

Mr. MURPHY. In March 1962, Senator.

Senator ELLENDER. March of 1962?

Mr. MURPHY. I mean of 1961. I'm sorry. I have been there about a year and a half.

Senator ELLENDER. To what extent have you changed the number of the people who worked directly under you, that is, in your office? Did you keep those your predecessor had, or did you move in new ones?

Mr. MURPHY. I brought in—I have three employees.

Senator ELLENDER. And you brought them in with you?

Mr. MURPHY. I brought two from Capitol Hill.

Senator ELLENDER. What became of those who served in the capacity of those you brought in?

Mr. MURPHY. Well, both were secretarial employees.

Senator ELLENDER. Where did they go? Whom did they work for?

Mr. MURPHY. They stayed in the agency.

Senator ELLENDER. Stayed in the agency. So you brought in two and stuck those other two somewhere else. That is what I have been complaining about here for a long time. Whenever new people come in under civil service, you are supposed to use the same personnel, but every new man who comes in brings in his own people, and those who serve under his predecessor are usually stuck in a little corner somewhere and kept on the payroll, instead of either discharging them or doing something about them.

Mr. MURPHY. That is true. That could happen, I assume, Senator, in many cases. However, the displacement of the secretarial people did not create new positions. The confidential secretary is one, and I think a man is entitled to select his confidential secretary. The other secretarial position did not create any new job at the Board.

Senator ELLENDER. Could you say the same thing happened to other of the personnel who are appointed as Board members?

Mr. MURPHY. That I do not know. There have been no other new Board members since I have been there. There was reappointment of existing present incumbents. I think, speaking philosophically, from time to time it is well to get into any agency some new blood.

Senator ELLENDER. Yes, but you ought to get the old bad blood out in some way.

Mr. MURPHY. That is the way you get fresh blood in.

Senator ELLENDER. That is the way they pile up.

Mr. MURPHY. That may be true.

INCREASE THROUGH RETENTION OF PERSONNEL

Senator ELLENDER. And whenever a new administration comes in, I daresay that 90 percent of the newcomers get their own personnel immediately beneath them, but the agency keeps the ones that served the predecessor of these appointees. So that is how the personnel, in my opinion, is increasing in these Departments.

Mr. MURPHY. I am happy to say I selected as my Administrative Assistant a career employee of the Board, Mr. James Deegan, and I am very happy about it.

Senator ELLENDER. I am not arguing about that. I am trying to point out what happens when a new administration or a new employee comes in. He wants to get his own people and there is no way in which the people who worked under a predecessor can be put out. So the rolls are increased. Little nooks and corners are found for them and the first thing you know the staff becomes overloaded, which is what is happening now.

I imagine we could take away 10 or 12 percent, or maybe 15 percent of the Federal employees, and do a better job.

That is all the questions I have.

Senator MONRONEY. May I ask a question?

Senator MAGNUSON. Yes.

PERSONNEL FOR SUPPLEMENTAL AIR CARRIERS BILL

Senator MONRONEY. Do we have adequate personnel to carry out the supplemental air carriers bill which the Congress passed this year, requiring close inspection, checking, and certification of the supplementals which have been regulated rather vaguely in the past because of lack of auditors and other requirements imposed on the Civil Aeronautics Board under the new law?

Mr. MURPHY. To answer your question specifically, Senator, I believe that part of our request for new employees in our Economic Regulatory Branch is for specifically handling the anticipated burden of the supplemental carrier legislation. We can do the job. We are addressing ourselves to it with our present staff. But because of the policy of the supplemental legislation we think we need at least three new positions for work just in that field alone.

Senator MONRONEY. It puts a heavy burden on you to maintain a constant check on the physical and economic ability of theses lines.

Mr. MURPHY. Exactly.

Senator MONRONEY. In other words, we relate the consideration of their economic standing to their deteriorated equipment and lack of proper maintenance. We relied very heavily on that and required them to carry surety bonds for the performance of their contract, liability insurance, and many other things which they have not been required to do in the past.

CONSTANT SURVEILLANCE OF DEVELOPMENTS

Mr. MURPHY. And I gather from the excellent report of the committee, Senator, on the legislation, that Congress wishes us to maintain constant surveillance, as it were, and constant awareness of trends or developments, in the field of the supplemental carriers, so we never have a situation exist again that existed possibly in the last 12 to 18 months. This naturally means additional staff work.

I have touched on this in my prepared statement, Senator. We have asked for six new positions in the Routes Division, and three of those were specifically for work in this field of supplemental air carriers.

Senator MONRONEY. I see.

Senator KUCHEL. Mr. Chairman, off the record.

(Discussion off the record.)

IMPLEMENTATION OF REGIONAL AIRPORT CONCEPT

Senator KUCHEL. Would you submit for the record your present plans of the agency for implementing your regional airport concept? The Senator from Massachusetts, Mr. Saltonstall, was interested in it yesterday, and I must say I am, too.

Mr. MURPHY. I will be very happy to do that, Senator. I may not have a document handy at the moment, but would you mind if I furnished it later today?

Senator KUCHEL. I ask consent.

Senator MAGNUSON. Yes, you do that.

(The information referred to follows:)

PLAN FOR IMPLEMENTATION OF REGIONAL AIRPORT PROGRAM, FISCAL 1963

In March 1962 the Board instituted the first broad area airport investigation. At that time, when instituting the *New England Regional Airport Investigation*, docket 13493, the countrywide programed series of such investigation was announced.

In June 1962 the *North Central Airlines Area Airline Service Airport Investigation*, docket 13743, was instituted to consider points located principally in Wisconsin and served exclusively by North Central. Subsequent broad area airport investigations will include pairs of points served within the area contained by local service carriers' authorizations, whether served exclusively by the specific local service carrier or other air carriers.

In addition to these local carrier area investigations in implementation of the area airport program, the Board is considering appropriate area airport issues in "use it or lose it" investigations, and, as well, on the basis of civic petitions or other situations which may involve only one or a limited number of pairs of points.

The current approach in this relatively new program is an exploratory one in which the Board has set forth certain factors which it believes may be controlling; for example, airport accessibility, available surface transportation, community of air interest of the traffic, highway and surface transportation, etc. However, it will remain for the development in the evidentiary proceedings of all views of all parties before the Board can develop definitive standards for designation of area airports through which airline services would be provided to a pair or complex of points.

Individual or limited area airport issues have been decided during fiscal 1962 in certain cases on the basis of records developed respecting these limited situations. (*Pacific Air Lines Service to Red Bluff and Redding, California*, case, docket 12929; *Pacific Southwest Local Service Area* case, docket 5645).

It is estimated that the first of the broad area airport investigations, that covering the New England States, will be submitted to the Board for decision in December 1962 and that decision will be issued before the end of fiscal 1963. It is also possible that the second of the broad area airport investigations, that involving the Wisconsin points served by North Central, will be decided by the end of fiscal 1963. In connection with the forthcoming decision in the *Frontier Airlines "Use It or Lose It" (7-States) Investigation*, docket 12078, decision on the limited area airport issues therein considered will be reached in the relatively near future. In addition, it is anticipated that specific area airport issues will be decided during fiscal 1963 in the *Service to Ogdensburg, N.Y.*, case, docket 13335, and the *Service to the Sheboygan and Manitowoc, Wisconsin Area* case, docket 9767. In addition, appropriate area airport issues will be considered in connection with pending petitions and forthcoming "use it or lose it" investigations which will be instituted durng fiscal 1963:

Mohawk Airlines "Use It or Lose It" Investigation.

North Central Airlines "Use It or Lose It" Investigation (Great Lakes area).

Central Airlines "Use It or Lose It" Investigation (Kansas-Oklahoma).

Lake Central Airlines "Use It or Lose It" Investigation (Great Lakes).

The staff have been authorized by the Board to compile and obtain directly from the air carriers pertinent information so that preliminary evaluation may be made by the Board in order to initiate further board area airport investigations throughout the country. The local air carriers will be contacted during fiscal year 1963 in this connection.

Senator MAGNUSON. The Chairman has several questions here based on your statement. Many of them are technical, but I think we should have it in the record. So I am going to give them to you to answer, if they are not answered in the course of the testimony.

Mr. MURPHY. All right, sir.

PREVENTIVE ENFORCEMENT VIA VOLUNTARY COMPLIANCE

Senator MAGNUSON. One thing that has been suggested that I ask about is on page 6, reference is made to the development of tactics for preventive enforcement via voluntary compliance. I assume what you have in mind is the new part 305. It is my understanding that the Board will have the right to issue subpenas to get certain facts from suspected violators. I want to ask, will these facts so obtained then be used against the persons, and will the persons involved get a full and impartial hearing before a hearing examiner? I think that was the subject of the editorial I had here.

Mr. MURPHY. I saw that yesterday.

Senator MAGNUSON. Which authorized secret investigative hearings. I have the order which I will put in the record in full.

Mr. MURPHY. All right, sir.

(The information referred to follows:)

UNITED STATES OF AMERICA,
CIVIL AERONAUTICS BOARD,
Washington, D.C.

(Procedural Regulations; Docket No. 13593; Dated: May 10, 1962)

PART 305—RULES OF PRACTICE IN INFORMAL INVESTIGATIONS BY THE BUREAU OF ENFORCEMENT

NOTICE OF PROPOSED RULEMAKING

Notice is hereby given that the Civil Aeronautics Board has under consideration the proposed enactment of new part 305 of the Board's procedural regulations.

The principal features of the proposed part are explained in the attached explanatory statement, and the text of this new part is set forth in the attached proposed rule. This regulation is proposed under the authority of sections 202(a), 204(a), 411, 1001, 1002(b), 1004, and 1007 of the Federal Aviation Act of 1958 (72 Stat. 741, 743, 769, 788, 792, 796; 49 U.S.C. 1322, 1324, 1381, 1481, 1482, 1484, and 1487).

Interested persons may participate in the proposed rulemaking through submission of 10 copies of written data, views, or arguments pertaining thereto, addressed to the Docket Section, Civil Aeronautics Board, Washington 25, D.C. All relevant matter in communications received on or before June 29, 1962, will be considered by the Board before taking final action on the proposed rule. Copies of such communications will be available for examination by interested persons in the Docket Section of the Board, room 711, Universal Building, 1825 Connecticut Avenue NW., Washington, D.C., upon receipt thereof.

By the Civil Aeronautics Board:

[SEAL] HAROLD R. SANDERSON, *Secretary.*

Vice Chairman Murphy dissented.

EXPLANATORY STATEMENT

In the course of enforcement of the act and orders and regulations of the Board, it is frequently necessary to undertake an informal investigation of all relevant facts and circumstances for the purpose of determining whether the institution of a formal compliance proceeding is warranted. Such investigations can be conducted most efficiently and expeditiously if witnesses and persons whose activities are the subject of investigation voluntarily cooperate with the Board's investigative staff by disclosing facts and producing documents upon request. However, experience has shown that the Bureau of Enforcement has been severely handicapped in such preliminary informal investigations by the refusal of many such persons to cooperate in any manner or their insistence upon surrounding their voluntary disclosures with unreasonable restrictions and delays. Accordingly, while the Board will continue to adhere to its established policy of actively seeking and promoting such cooperation in the

interests of all concerned, it also believes it necessary to establish appropriate procedures which can be used to compel the disclosure of information prior to the commencement of a formal enforcement proceeding when such information cannot otherwise be obtained, without undue delay, and the requested facts or documents appear to be relevant to the matter under investigation.

To this end, the Board proposes to adopt appropriate rules for the purpose of implementing its statutory powers to institute investigation, issue subpenas calling for the attendance and testimony of witnesses and the production of documents and to seek judicial enforcement of such subpenas. Numerous court decisions have sustained the reasonable exercise of such investigatory powers by the Federal regulatory agencies.[1]

The proposed new part would be applicable in all informal investigations, as distinguished from adjudicatory proceedings and from inquiries and investigations under sections 407 and 415 of the act, undertaken by the Bureau of Enforcement. Informal investigations would be commenced by the issuance of an order of the Board which would be an internal Board document and, as such, not available to the general public. Such an order would designate an attorney on the staff of the Bureau of Enforcement as investigation attorney for the purpose of conducting a specified informal investigation in accordance with the provisions of this new part. The investigation attorney would preside over the investigational hearing, which would be informally conducted, for the purpose of receiving the testimony of witnesses and documents relating to any subject of investigation. Such hearings would either be tape recorded or stenographically recorded, and a transcript of the proceedings, testimony, and documents furnished would be made a part of the record of the investigation.

Investigation subpenas directing a named person to appear before the investigation attorney and testify or disclose documentary evidence would be issued by a member of the Board who has been duly designated to perform that function. Every subpena will advise the person named therein of the purpose and scope of the investigation insofar as it pertains to the phase of the investigation to which the evidence required of him relates.

Any person subject to such a subpena could, within 7 days after the date of its service, file a motion to quash or modify the subpena. Such motion would be supported by written evidence and argument but no oral argument would be heard thereon, unless the Board so orders. A subpena would be quashed or modified when the Board believes that the evidence sought is not reasonably relevant to the matter under investigation or that the demand made does not specify in sufficient detail the information sought or that the subpena is unlawful or unduly burdensome for any other reason. The filing of a motion to quash or modify an investigation subpena will stay the return date of such subpena until the Board grants or denies such motion. All orders initiating informal investigations, motions to quash or modify investigation subpenas, orders disposing of such motions, documents, and transcripts of testimony forming part of the record in such an informal investigation would become internal Board documents which are not open to inspection by the general public. Attendance at such investigations would normally be confined to witnesses and their respective counsel. Any person who has been compelled to testify or depose could obtain a copy of his own testimony and a person required to submit documentary evidence would be entitled to procure a copy of such document. Such persons could be accompanied and advised by counsel of their own choosing who would not, however, be otherwise entitled to participate in the investigation.

Since the purpose of informal investigations is to enable the Bureau of Enforcement to gather the information necessary to determine whether there is reason to believe that acts have been committed in violation of law and that such acts are within the jurisdiction of the Board, the record of each such completed investigation will be reviewed with a view to determining whether remedial action is appropriate. Consequently, if the facts indicate that no corrective action is warranted, the investigation files will be closed. On the other hand, if the law appears to have been violated, the Director of the Bureau will take appropriate steps to initiate formal compliance proceedings by issuance of a complaint and petition for enforcement under Part 302; negotiate a cease-and-desist stipulation or take other appropriate action.

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[1] *United States* v. *Morton Salt Co.*, 338 U.S. 632 (1950); *Oklahoma Press Co.* v. *Walling*, 327 U.S. 186 (1946); *Federal Trade Commission* v. *Hunt Foods and Industries, Inc.*, 175 F. Supp. 448, 453 (D.C. Cal. 1959).

PROPOSED RULE

PART 305—RULES OF PRACTICE IN INFORMAL INVESTIGATIONS BY THE BUREAU OF ENFORCEMENT

Sec.

305.1 Applicability.
305.2 Definitions.
305.5 Initiation of investigation.
305.6 Conduct of investigational hearing.
305.7 Issuance of investigation subpoenas.
305.8 Investigation depositions.
305.9 Rights of witnesses.
305.10 Nonpublic character of proceedings.
305.11 Procedures after investigation.
305.12 Motion to quash or modify an investigation subpoena.

§ 305.1 *Applicability.* The provisions of this part shall govern informal investigations, as distinguished from adjudicatory proceedings and inquiries or investigations under Sections 407 and 415 of the Act, undertaken by the Bureau of Enforcement with a view to obtaining information from any person. While the Board seeks and encourages voluntary cooperation and believes that it is in the best interest of all parties concerned, it will utilize the procedures provided by this part to compel the disclosure of information from any person where the Board wishes to determine whether such person, or any other person, has been or is violating any provisions of Titles IV, VII, or Section 1108 of the Federal Aviation Act of 1958, as amended, or any rule, regulation, order, certificate, permit or letter of registration issued thereunder by the Board and when the information appears to be relevant to the matter under investigation.

§ 305.2 *Definitions.* For the purpose of, and as used in, this part,

Deposition order means an order of the Board or the Director, Bureau of Enforcement, directing that an investigation deposition be taken in the course of an investigation.

Investigation means a nonadjudicatory, informal investigation, exclusive of inquiries under Sections 407 and 415 of the Act.

Investigation deposition means the taking of the deposition of a witness, pursuant to a deposition order, before any person designated in the deposition order, other than an officer or attorney of the Board, who has power to administer oaths.

Investigational hearing means a nonadjudicatory hearing before a duly authorized officer or attorney of the Board, conducted in the course of an investigation, at which evidence is received.

§ 305.5 *Initiation of investigation.* An informal investigation may be initiated by the issuance of an order of the Board. Each such order shall designate a staff attorney of the Bureau of Enforcement as Investigation Attorney for the purpose of conducting such investigation pursuant to the provisions of this part. Investigation Attorneys are hereby authorized to exercise and perform their duties and functions under this part in accordance with the provisions of the Federal Aviation Act of 1958, as amended, and the rules and regulations of the Board. They are authorized to administer oaths and affirmations.

§ 305.6 *Conduct of investigational hearing.* Investigational hearings may be held before any designated Investigation Attorney for the purpose or receiving the testimony of witnesses or receiving documents or other data relating to any subject under investigation. Such hearings shall be recorded or stenographically recorded and a transcript thereof shall be made and incorporated in the record of the investigation.

§ 305.7 *Issuance of investigation subpoenas.* Upon request of the Director, Bureau of Enforcement, any Member of the Board, when duly designated by the Board for such purpose, may issue a subpoena directing the person named therein to appear before a designated Investigation Attorney at a designated time and place to testify or to produce documentary evidence relating to any matter under investigation, or both. Each such subpoena shall advise the person required to testify or submit documentary evidence of the purpose and scope of the investigation insofar as it pertains to the phase of the investigation to which the evidence required therein relates. Witnesses summoned to attend an informal investigation shall be paid the fees and mileage prescribed in § 302.21 of the Rules of Practice in Economic Proceedings. Service of such subpoenas shall be made in accordance with the provisions of § 302.8 of the Rules of Practice in Economic Proceedings.

§ 305.8 *Investigation depositions.* The Board or the Director, Bureau of Enforcement, may order an investigation deposition to be taken in any investigation at any stage thereof. Each such order shall designate a person who will, on behalf of the Bureau of Enforcement, ask questions of the witness. In addition, such order shall designate a person authorized to administer oaths and affirmations at the place of the deposition, before whom the deposition is to be taken. The testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence as provided in § 305.7 of this Part.

§ 305.9 *Rights of witnesses.* Any person required to testify or to submit documentary evidence shall be entitled to procure on payment of lawfully prescribed cost, a copy of any document produced by such person and of his own testimony as stenographically reported or, in the case of depositions, as reduced to writing by or under the direction of the person taking the deposition, except that in a confidential proceeding a witness may for good cause be limited to inspection of his testimony. Any party compelled to testify or to produce documentary evidence may be accompanied and advised by counsel, but counsel may not otherwise participate in the investigation.

§ 305.10 *Nonpublic character of proceedings.* Unless otherwise directed by a Member of the Board, all investigatory proceedings shall be attended only by witnesses and their counsel. All orders initiating informal investigations, motions to quash or modify investigation subpoenas, orders disposing of such motions, documents and transcripts of testimony shall be part of the record in an informal investigation. The records of such proceedings shall constitute internal Board documents which shall not be available to the general public except as ordered by the Board. The use of such records in Board proceedings subject to Part 302 of the Procedural Regulations shall be governed by §§ 302.19(g) and 302.39.

§ 305.11 *Procedures after investigation.* Upon completion of investigation, where the Director, Bureau of Enforcement, determines that no corrective action is warranted, the investigation will be closed. Where remedial action is appropriate, the Director will proceed pursuant to Subpart B of Part 302 of the Rules of Practice in Economic Proceedings.

§ 305.12 *Motions to quash or modify an investigation subpoena.* Any person upon whom an investigation subpoena is served may within seven (7) days after such service or at any time prior to the return date thereof, whichever is earlier, file with the Board a motion to quash or modify such subpoena. Such motions shall be made in writing in conformity with §§ 302.3 and 302.4 of the Rules of Practice in Economic Proceedings; shall state with particularity the grounds therefor and the relief sought; shall be accompanied by the evidence relied upon and all such factual matter shall be verified in accordance with the provisions of § 302.202 of the Rules of Practice in Economic Proceedings. Written memoranda or briefs may be filed with the motions, stating the points and authorities relied upon. No oral argument will be heard on such motions, unless the Board directs otherwise. The Board will quash or modify a subpoena when it believes that the evidence whose production is required is not reasonably relevant to the matter under investigation, or that the demand made does not describe with sufficient particularity the information sought, or that said subpoena is unlawful or unduly burdensome. The filing of a motion to quash or modify an investigation subpoena shall stay the return date of such subpoena until the Board grants or denies such motion.

PROPOSED RULE

Mr. MURPHY. I would like to say to that that first of all it is merely a proposed rule or regulation. The Board has not adopted it. We put it out for public comment and are very happy to have a comment, for example, as appeared in the editorial columns of the Washington Post yesterday.

In answer to your question, Senator, the rule would not contemplate that there would be a hearing before a hearing examiner, and certainly whatever facts were obtained through the use of this special subpena process would be used against the suspect, or eventually

the accused. It was for these reasons that I personally voted against even the promulgation of the rule. However, I am sure that the Board will not act hastily in this field. We will wait and evaluate the criticism and suggestions and certainly take all of these factors into consideration before we would adopt it as an official part of our enforcement armament.

PEAKING OF SCHEDULES

Senator MAGNUSON. I will submit these questions to you. The Senate Commerce Committee and this committee constantly, as you know as well as anyone else, because you had some concern with this when you were with the Senate Commerce Committee, we are concerned about these things. I think you ought to put something in the record as to what the Board is doing, if anything, about this constant peaking of schedules.

Mr. MURPHY. I will be very happy to do that.

Senator MAGNUSON. It seems to be causing more trouble rather than less trouble.

Mr. MURPHY. I think the Board, at the request of the Senate Commerce Committee, you and Senator Monroney and Senator Smathers, a few years ago looked into that and got a number of carrier comments and sent them up here.

Senator MAGNUSON. If you can get these answers up here sometime this week, we will be very appreciative of it. There is a lot of it which is technical and I do not want to take up the time of the committee with it. It is a lot of technical administration. Actually, the Senate Commerce Committee and this committee are both concerned about these questions.

(The information referred to follows:)

SUMMARY AND HIGHLIGHT STATEMENT

1. On page 3, you state the Board, in implementing Reorganization Plan No. 3, is now delegating or intends to delegate certain Board functions.

(*a*) Aside from delegation in the hearing examiner area, in what specific instance has the Board delegated work?

(*b*) You indicate that the Board intends to delegate work in the "safety field." Does this refer to determination of probable cause, or what is it you have in mind?

(*c*) To what extent has Reorganization Plan 3 been utilized to increase efficiency; reduce costs; and cut personnel requirements?

Answer 1(a). It is believe that this question can best be answered by reference to part 385 of the Board's regulations, as follows:

[Reprinted from Federal Register, Dec. 22, 1961]

CIVIL AERONAUTICS BOARD, ORGANIZATION REGULATIONS, EFFECTIVE JANUARY 20, 1962

SUBCHAPTER E—ORGANIZATION

[Reg. No. OR–1]

PART 385—DELEGATIONS AND REVIEW OF ACTION UNDER DELEGATION; NON-HEARING MATTERS

Adopted by the Civil Aeronautics Board at its office in Washington, D.C., on the 18th day of December 1961.

Reorganization Plan No. 3 of 1961 confers upon the Board authority to delegate "by published order or rule" any of its functions to any of its employees.

Among the categories of functions which the Board thus may delegate are those which may be performed without notice and hearing and need not be based on an evidentiary record. Part 385 has been adopted by the Board to implement this aspect of the Reorganization Plan.

Part 385 consists of three subparts. Subpart A contains general provisions applicable to delegations; Subpart B contains the delegations; and Subpart C contains provisions governing the procedures on Board review of action under delegated authority. Though such a regulation could be issued as a final regulation without public notice, the Board deemed it desirable to solicit comments with respect to Subpart C—Procedure on Review of Staff Action, and issued proposed Subpart C as a notice of proposed rulemaking. Docket 13021, dated September 7, 1961, published in the Federal Register (26 F.R. 8567) on September 13, 1961. Comments thereon were received and due consideration has been given to all relevant matter presented.

Though comments received covered a wide range of matters dealing with delegated authority, the paramount concern pertained to the procedural rights of the individuals having a substantial interest in the staff action. Questions were raised whether such persons would be aware of the staff action taken or would have sufficient time within which to prepare petitions and answers; and whether or not the staff might be able to discharge its authority in such a manner as to render useless the discretionary right of review by the Board.

The public and interested parties will be made aware of the staff action taken under delegated authority in the same manner as if the Board itself had acted. The basic period within which petitions for review and answers are to be filed will be 10 days. The Board feels that such periods will provide sufficient time as to the majority of staff action taken. The staff may, in its discretion, extend or shorten such period.

When the staff member finds that the public interest so requires, or that there will be insufficient time for discretionary Board review of his decision upon petition as provided in Subpart C, he shall, in lieu of exercising the delegated authority, submit the matter to the Board for decision.

Decisions by the Board upon review of staff action will be final and will not be subject to petitions for reconsideration. Thus in any case where the staff takes action to dispose of a nonhearing matter and interested persons have been made aware of such action, the action shall be subject to no more than one subsequent consideration by the Board upon request of an interested party, and any further requests for a reconsideration will be dismissed.

Several comments sought a broadening of the basis upon which review of staff action could be sought. Upon review of these suggestions, the Board finds that the four limits proposed should be expanded to include a fifth, namely, where staff action is substantially deficient on its face (e.g., omission of necessary findings, failure to dispose of issues, etc.).

Section 385.51 as proposed, stated that petitions could not exceed 10 pages in length. It is felt that the staff should have authority to allow for greater length where they deem it necessary, and the section has been altered accordingly.

Proposed § 385.55 permitted the staff member to reconsider his action upon the filing of a petition for review by the applicant. Upon consideration of comments, this provision was extended to petitions by opponents to the application (§ 385.53).

In promulgating new Part 385, the Board hereby establishes a new Subchapter E, Organization Regulations, and changes the designation of present Subchapter E to F.

In consideration of the foregoing, the Civil Aeronautics Board hereby enacts new Part 385 of the Organization Regulations (14 CFR Part 385) effective January 20, 1962, to read as follows:

SUBPART A—GENERAL PROVISIONS

Sec.

385.1 Definitions.
385.2 Applicability.
385.3 Scope of staff action.
385.4 Form of staff action.
385.5 Procedures prescribed in other regulations.
385.6 Referral to the Board.
385.7 Exercise of authority by superiors or the Board.
385.8 Exercise of authority in "acting" capacity.
385.9 Effective date of delegations and procedures.

SUBPART B—DELEGATION OF FUNCTIONS TO STAFF MEMBERS

385.10 Delegation to the Chief Examiner, Bureau of Hearing Examiners.
385.11 Delegation to the Hearing Examiners, Bureau of Hearing Examiners.
385.12 Delegation to the Director, Bureau of Economic Regulation.
385.13 Delegation to the Chief, Routes and Agreements Division, Bureau of Economic Regulation.
385.14 Delegation to the Chief, Rates Division, Bureau of Economic Regulation.
385.15 Delegation to the Chief, Tariffs Section, Rates Division, Bureau of Economic Regulation.
385.16 Delegation to the Chief, Subsidy Division, Bureau of Economic Regulation.
385.17 Delegation to the Alaska Liaison Representative, Bureau of Economic Regulation.
385.18 Delegation to the Chief, Office of Carrier Accounts and Statistics.
385.19 Delegation to the Chief, Regulations and Reports Division, Office of Carrier Accounts and Statistics.
385.20 Delegation to the General Counsel.
385.21 Delegation to the Associate General Counsel, Rules and Legislation.
385.22 Delegation to the Director, Bureau of Enforcement.

SUBPART C—PROCEDURE ON REVIEW OF STAFF ACTION

385.50 Persons who may petition for review.
385.51 Petitions for review.
385.52 Effective date of staff action.
385.53 Review by the staff.
385.54 Decision by the Board.

AUTHORITY: §§ 385.1 to 385.54 issued under sec. 204(a), 72 Stat. 743; 49 U.S.C. 1324. Interpret or apply sec. 1001, 72 Stat. 788; 49 U.S.C. 1481, and Reorganization Plan No. 3 of 1961, 26 F.R. 5989.

SUBPART A—GENERAL PROVISIONS

§ 385.1 Definitions

Board means the Civil Aeronautics Board.

Petition for review means a petition asking the Board to exercise its discretionary right of review of staff action.

Staff action means the exercise of a function of the Board by a staff member pursuant to delegation under this part.

Staff members means officers and employees of the Board who receive delegated authority under this part.

§ 385.2 Applicability

This part describes the organization of the Board insofar as, pursuant to authority conferred on it by Reorganization Plan No. 3 of 1961, 26 F.R. 5989, the Board has delegated any of its functions of making orders or other determinations which are not required to be made on an evidentiary record upon notice and hearing, and the Chairman has assigned Board personnel to perform such functions. The delegations set forth herein do not apply in instances where applicable law or due process requires that decision be based on a record made at an evidentiary hearing. This part also sets forth the procedures governing discretionary review by the Board of action taken under such delegations.

§ 385.3 Scope of staff action

Applications for relief which, pursuant to this part, may be granted by staff members under delegated authority, and proceedings on such requests shall be governed by applicable rules in the same manner as if no delegation had been made, (see § 385.5). In such proceedings, each staff member may determine any procedural matters which may arise, including, inter alia, service of documents on additional persons; filing of otherwise unauthorized documents; waivers of procedural requirements; requests for hearing; requests for additional information; dismissal of incomplete or otherwise defective applications; and extensions of time. Such determinations, except those which would terminate the matter, shall be subject to review only in connection with Board review of the staff member's decision on the merits. The dismissal of incomplete or otherwise defective applications under authority set forth in this part shall be without prejudice except where under otherwise applicable law the time for making application has run out or where the defect is not corrected within a reasonable time fixed by the staff member. Under the authority delegated to the staff as set forth in this part to approve, disapprove, grant or deny, relief may be granted or denied in part and grants may be made subject to lawful and reasonable conditions. Moreover, where applicable, the authority to grant relief also includes authority to renew or extend an existing authorization.

§ *385.4 Form of staff action*

Unless otherwise specified in the delegation, staff action shall be by order or informal writing (letters, telegrams, decision marked on copy of application form, etc.). Such orders or informal writings shall contain a recital that action is taken pursuant to delegation; shall, in cases where there are "parties or interveners," contain a brief reference to the right of aggrieved parties to petition the Board for review pursuant to applicable procedural rules, including a statement of the time within which petitions must be filed (§ 385.51); and shall be signed by the person exercising the delegated function. They shall contain all findings, determinations and conclusions which would be required or appropriate if they were issued by the Board. Orders or informal writings so issued which have become the action of the Board (§ 385.52) shall be published in the same manner as if they had been issued by the Board in the first place, and upon request the Secretary shall attest thereon that they constitute the action of the Board.

§ *385.5 Procedures prescribed in other regulations*

Procedures set forth in this part shall not supersede procedures applicable to matters on which decision has been delegated unless otherwise specifically provided herein: *Provided, however,* That any provisions in other regulations which provide for reconsideration of nonhearing determinations made by the Board shall not be applicable to decisions made under authority delegated herein or to Board decisions made upon review thereof.

§ *385.6 Referral to the Board*

When the staff member finds that the public interest so requires, or that there will be insufficient time for discretionary Board review of his decision upon petition as provided in Subpart C of this part, he shall, in lieu of exercising the delegated authority, submit the matter to the Board for decision.

§ *385.7 Exercise of authority by superiors or the Board*

Any delegation of authority to a staff member below the rank of Bureau or Office Head shall also be deemed to be made, severally, to each of such staff member's superiors in the respective Bureau or Office. In accordance with the Board's principle of management responsibility in the Bureau or Office Head, the superior may choose to exercise the delegated power himself in any case. Moreover, the Board may at any time itself exercise any authority delegated herein.

§ *385.8 Exercise of authority in "acting" capacity*

Unless the delegation provides otherwise, staff members serving in an "acting" capacity may exercise the authority delegated to the staff members for whom they are acting.

§ *385.9 Effective date of delegations and procedures*

The delegations and procedures set forth in this part shall be effective thirty days after publication in the FEDERAL REGISTER.

SUBPART B—DELEGATION OF FUNCTIONS TO STAFF MEMBERS

§ *385.10 Delegation to the Chief Examiner, Bureau of Hearing Examiners*

The Board hereby delegates to the Chief Examiner, Bureau of Hearing Examiners, the authority to:

(a) Consolidate, upon recommendation of the Director, Bureau of Economic Regulation (or such staff member of the Bureau of Economic Regulation as he may designate), into one proceeding cases involving the investigation of a tariff or of complaints concerned with related tariffs.

(b) With respect to matters to be decided after notice and hearing: Dismiss applications or complaints (except those falling under Part 302, of this chapter), (Subpart B of the Procedural Regulations) when such dismissal is requested or consented to by the applicant or complainant, or where such party has failed to prosecute such application or complaint; and dismiss proceedings upon his finding that the proceeding has become moot or that no further basis for continuation exists.

§ *385.11 Delegation to the Hearing Examiners, Bureau of Hearing Examiners*

The Board hereby delegates to the Hearing Examiners, Bureau of Hearing Examiners, the authority to take the following actions in matters to which they are respectively assigned:

(a) Grant or deny intervention in formal proceedings.

§ *385.12 Delegation to the Director, Bureau of Economic Regulation*

The Board hereby delegates to the Director, Bureau of Economic Regulation, the authority to:

(a) Approve or deny applications of certificated route air carriers for exemptions to serve a point certificated on one segment of its route in place of a point certificated on another segment of its route whenever no substantial competition to other lines will result, and to perform single flights outside the authority contained in the certificate.

§ *385.13 Delegation to the Chief, Routes and Agreements Division, Bureau of Economic Regulation*

The Board hereby delegates to the Chief, Routes and Agreements Division, Bureau of Economic Regulation, the authority to:

(a) Approve or disapprove Airport Notices which indicate an intention to serve regularly a point through any airport not regularly used by a holder of a certificate of public convenience and necessity; and grant or deny requests for an effective date earlier than 30 days subsequent to filing such Airport Notice.

(b) Approve or disapprove nonstop notices which indicate an intention to inaugurate a scheduled nonstop service between any two points nonconsecutively named in the certificate of public convenience and necessity; and grant or deny requests for an effective date earlier than 20 days subsequent to the filing of such Nonstop Notice. Approval may be granted if such nonstop service is not found: (1) To be adverse to the public interest; or (2) to involve a substantial deviation from the shortest course between such points as determined by the route described in the certificate; or (3) to involve a schedule designated for the transportation of mail where the inauguration of such service on such dates would be prohibited pursuant to the provisions of section 405(b) of the Act.

(c) Approve or disapprove issuance of foreign aircraft permits provided for in §§ 296.45 and 297.36 of this chapter (Economic Regulations).

(d) Approve or disapprove applications for operating authority filed pursuant to Parts 296 and 297 of this chapter (Economic Regulations).

(e) Approve or deny applications for approval of relationships prohibited by §§ 296.45 and 297.36 of this chapter (Economic Regulations).

(f) Cancel any operating authority upon the filing by a domestic or international Air Freight Forwarder of a written notice with the Board indicating the discontinuance of common carrier activities.

(g) Approve or disapprove interchange schedules. Approvals may be granted when such schedules appear to conform to the service plan contemplated by the Board's orders approving the basic interchange agreements.

(h) Approve or deny applications for authorization to conduct off-route charter trips filed pursuant to Part 212 of this chapter (Economic Regulations).

(i) Approve or disapprove applications of certificated helicopter carriers requesting amendments of Flight Patterns operated under the carriers' area exemption authorizations.

(j) Issue revised operating authorizations, Letters of Registration, and Exemption Orders when revisions thereof are made necessary due to a change in name of the carrier specified in the document, provided that no issue of substance concerning the operating authority of a carrier is involved.

(k) In respect of service patterns: (1) Approve or disapprove all applications filed under § 202.4 of this chapter (Economic Regulations) by local service carriers for authority to effect temporary or seasonal changes in service patterns; (2) revoke, modify, or renew, prior approval of temporary or seasonal changes in service patterns; (3) dismiss applications for changes in service patterns when such dismissal is requested by the applicant, or when such application is moot.

(l) In respect of temporary suspension of service: (1) Approve or disapprove applications filed under Part 205 of this chapter (Economic Regulations) for authority to temporarily suspend service; (2) revoke or modify orders authorizing the temporary suspension of service; (3) dismiss applications to temporarily suspend service when such dismissal is requested by the applicant, or when such application is moot.

(m) With respect to section 412 Contracts and Agreements: (1) Approve or disapprove any contract or agreement, or modification, termination, or cancellation thereof, filed by air carriers under section 412 of the Act, except the following:

(i) Contracts or agreements involving (*a*) the establishment of rates, fares, or charges; (*b*) standardization of equipment; (*c*) schedules; (*d*) substantial

limitations on competition; or (e) interchange of equipment and "Trackage rights."

(ii) Contracts or agreements which are industrywide or substantially industrywide in effect, other than those on which there are Clear Board precedents, or which do not involve substantial questions of policy.

(2) Dispose, without action, of contracts and agreements which, prior to review thereof, have expired, been terminated, or been superseded.

(n) With respect to interlocking relationships: (1) Grant or deny applications for approval of interlocking relationships filed under section 409(a) of the Act; (2) Dismiss applications for approval of interlocking relationships where the termination of the interlocking relationship in question has been effected.

(o) Upon application, grant or deny exemptions from section 408 of the Act.

(p) Grant or deny an air carrier authority to conduct a specific charter operation, other than a MATS operation, in overseas or foreign air transportation, imposing such conditions as exclusion of one-way passengers or limitations on payments for labor in arranging the charter; and approve or disapprove minor changes prior to flight date in charters previously authorized by order (e.g., changes regarding flight dates, departure or landing points, aircraft, persons authorized for one-way passage, intermingling of passengers, or substituting another carrier in cases of emergency).

§ 385.14 Delegation to the Chief, Rates Division, Bureau of Economic Regulation

The Board hereby delegates to the Chief, Rates Division, Bureau of Economic Regulation, the authority to:

(a) In the absence of a protest from a person disclosing a substantial interest, effect issuance of final orders with respect to International Air Transport Association (IATA) agreements filed with the Board pursuant to section 412 of the Act or pursuant to Board Order E–9305 of June 15, 1955, as follows:

(1) Disclaiming jurisdiction with respect to IATA agreements which do not affect air transportation within the policy set forth in Order E–12304, dated March 31, 1958.

(2) Disposing of IATA agreements relating to specific commodity rates as follows:

(i) Approving or disapproving agreements within an area which name additional rates under commodity descriptions for which rates are currently in effect in that area and have been approved by the Board.

(ii) Approving or disapproving agreements which readopt rates which are currently in effect and which have been approved by the Board, except where revalidation of the basic commodity rate structure is proposed.

(iii) Approving, disapproving, or approving subject to condition to insure proper tariff publication, agreements which amend commodity descriptions under which rates are currently in effect, consistent with Part 221 of this chapter (Economic Regulations).

(iv) Approving or disapproving agreements which name rates under commodity descriptions not currently in effect where the description does not conform to Part 221 of this chapter (Economic Regulations).

(3) Approving or disapproving amendatory agreements which do not directly affect air transportation, involving adjustment in agreed fares and rates or specification of additional fares and rates to be integrated into the previously approved overall structure.

(4) Approving or disapproving agreements reached by unprotested notice pursuant to the following creative fares resolutions: Resolution 084 (TC1, JT23), and Resolution 084a (JT31).

(5) Approving or disapproving agreements adopted by unprotested notices pursuant to the provisions of Resolutions 014a and 014b, which prescribe the construction rules for passenger fares and cargo rates respectively.

(6) Approving or disapproving agreements proposing delays in inaugurals.

(b) Grant or deny air carriers authority to conduct MATS charter operations in oversea and foreign air transportation, and air transportation between the 48 contiguous States on the one hand and the States of Hawaii or Alaska on the other hand, imposing conditions.

§ 385.15 Delegation to the Chief, Tariffs Section, Rates Division, Bureau of Economic Regulation

The Board hereby delegates to the Chief, Tariffs Section, Rates Division, Bureau of Economic Regulation, the authority to:

(a) Reject any tariff, supplement, or revised page which is filed by any United States air carrier or by any foreign air carrier, and which is subject to rejection because it is not consistent with section 403 of the Act or with Part 221 of this chapter (Economic Regulations).

(b) Approve or disapprove any application for permission to make tariff changes upon less than statutory notice, filed pursuant to § 221.190 of this chapter (Economic Regulations).

(c) Approve or disapprove applications made pursuant to Subpart Q of Part 221 of this chapter (Economic Regulations) for waiver of the provisions of Part 221 of this chapter.

(d) Permit cancellation of a tariff in instances when an investigation of a tariff is pending, or the tariff is under suspension, or when a complaint requesting investigation or suspension of a tariff has been filed.

(e) In instances when an investigation of a tariff is pending, or the tariff is under suspension, or where a complaint requesting investigation or suspension of a tariff has been filed, dismiss the investigation or complaint, or terminate the suspension, provided the tariff to which such investigation, complaint or suspension relates has been canceled, ordered canceled, modified so as to remove the grounds for the investigation or complaint, or has expired.

(f) Institute an investigation of, or institute an investigation and suspend the effectiveness of, a tariff or change in a tariff which:

(1) Is substantially similar to a prior tariff under investigation or suspension; and

(2) Is filed by or on behalf of one or more of the carriers party to the prior tariff; and

(3) Is filed within 90 days after the expiration, modification, or cancellation of the prior tariff, or within 90 days after the effective date of an order requiring its cancellation or modification.

(g) Extend the period of suspension of a tariff under suspension when the proceedings concerning the lawfulness of such tariff cannot be concluded before the expiration of the existing suspension period, provided that the aggregate of such extensions may not be for a longer period than permitted under section 1002(g) of the Act.

(h) Approve or disapprove applications filed under section 403(b) of the Act and § 223.8 of this chapter (Economic Regulations) for permission to furnish free or reduced rate air transportation in overseas or foreign air transportation.

(i) Grant or deny to a certificated all-cargo air carrier an exemption, pursuant to section 416(b)(1), from the provisions of sections 401 and 403(b) insofar as said sections would prevent such carrier from providing transportation to persons between points in its certificate on regularly scheduled cargo flights for the purpose of collecting data for preparation of feature news, pictorial, or like articles provided that:

(1) The transportation is limited to the writer, journalist, or photographer engaged in the preparation of data for use in feature news, pictorial, or like articles which are to appear in newspapers or trade magazines and which will publicize the regularly scheduled cargo operations of the carrier;

(2) The exemption shall be granted only upon the condition that the all-cargo air carrier shall collect from each person transported not less than the lowest fare in effect by carriers authorized to transport persons in regularly scheduled passenger service between the points involved.

(j) Grant or deny to a carrier an exemption and/or one extension thereof, pursuant to section 416(b)(1), from the provisions of section 403(b) insofar as the latter section would prevent the carrier from providing free transportation for the purposes of engaging in technical in-flight observations necessary or desirable for meteorological purposes or in other cases substantially similar to cases previously acted upon by the Board; provided that:

(1) The free transportation is limited to technical personnel regularly engaged in duties directly related to the purposes for which the free transportation is authorized and is provided only when they are engaged in the specific technical in-flight activity and does not include other transportation;

(2) The exemption or the subsequent single extension thereof shall be for a period not to exceed six months; and

(3) The exemption shall be granted only upon the condition that the carrier file with the Board, within ten days after the close of each month, during which the exemption is in force, the name of each person provided free transportation thereunder, his company affiliation and the dates, flights and points between which such free transportation was provided.

§ 385.16 Delegation to the Chief, Subsidy Division, Bureau of Economic Regulation

The Board hereby delegates to the Chief, Subsidy Division, Bureau of Economic Regulation, the authority to:

(a) Issue letters approving or disapproving waivers of provisions in guaranteed loan agreements; approval to be granted in cases where it is believed that the grant of such approval will not adversely affect the obligation of the Board under the guarantee and will not increase the risk that the Board will have to make payment on the guarantee.

§ 385.17 Delegation to the Alaska Liaison Representative, Bureau of Economic Regulation

The Board hereby delegates to the Alaska Liaison Representative, Bureau of Economic Regulation, the authority cited in § 385.15 (a), (b), and (g) insofar as it relates to Alaskan Air Carriers.

§ 385.18 Delegation to the Chief, Office of Carrier Accounts and Statistics

The Board hereby delegates to the Chief, Office of Carrier Accounts and Statistics, the authority to:

(a) Waive any of the accounting, reporting and record-retention requirements as warranted, to meet temporary or local conditions.

(b) Interpret the Board's accounting, reporting, and record-retention requirements.

(c) Establish detailed standard accounting, reporting and record-retention practices required to achieve conformance with regulations promulgated by the Board.

(d) Grant or deny with the concurrence of the General Counsel and the Director, Bureau of Economic Regulation, requests for confidential treatment of preliminary year-end financial reports.

(e) Grant or deny individual requests by air carriers for permission to use their own continuous-feed machine reporting forms, where Board approval for the use of such forms is required by the Economic Regulations.

(f) Establish classification of aircraft types for reporting financial data and traffic capacity statistics.

(g) Prescribe, in specific instances, different passenger weight standards to approximate variations in actual experience, for reporting passenger ton-miles and available ton-miles.

§ 385.19 Delegation to the Chief, Regulations and Reports Division, Office of Carrier Accounts and Statistics

The Board hereby delegates to the Chief, Regulations and Reports Division, Office of Carrier Accounts and Statistics, the authority to take any or all of the following actions in administering the accounting report or record-retention regulation of Part 249 of this chapter (Economic Regulations):

(a) Extend, with the concurrence of the Director, Bureau of Enforcement, the time period for the preservation of records relating to errors, oversales, irregularities and delays in handling of passengers § 249.13(f) of this chapter (Category No. 303(a) of the Schedule of Records to Part 249 of the Economic Regulations).

§ 385.20 Delegation to the General Counsel

The Board hereby delegates to the General Counsel the authority to grant or deny by letter requests submitted under § 302.11(b)(1) (i) and (ii) of this chapter (Procedural Regulations) by persons who have been formerly associated with the Board, for interpretations of facts under § 302.11(b)(1)(i) of this chapter and for leave to represent a party to a proceeding or matter before the Board under § 302.11(b)(1)(ii) of this chapter.

§ 385.21 Delegation to the Associate General Counsel, Rules and Legislation

The Board hereby delegates to the Associate General Counsel, Rules and Legislation Division, the authority to:

(a) In accordance with the provisions of Part 311 of this chapter (Board's Procedural Regulations) approve or disapprove requests for testimony of Board employees, with respect to their participation in the investigation of aircraft accidents.

(b) Grant or deny any motion made by an air carrier association pursuant to § 263.3 of this chapter (Economic Regulations) for leave to participate in a Board proceeding in which no formal hearing is held.

§ 385.22 Delegation to the Director, Bureau of Enforcement

The Board hereby delegates to the Director, Bureau of Enforcement, the authority to:

(a) Compromise civil penalties being imposed for violation of the Board's Safety Investigation Regulations when the penalty does not exceed $100.

SUBPART C—PROCEDURE ON REVIEW OF STAFF ACTION

§ 385.50 Persons who may petition for review

Petitions for review may be filed by the applicant; by persons who have availed themselves of the opportunity, if any, to participate in the matter at the staff action level; and by persons who have not had an opportunity to so participate or who show good and sufficient cause for not having participated: *Provided*, That such persons disclose a substantial interest which would be adversely affected by the respective staff action.

§ 385.51 Petitions for review

(a) *Time for filing.* Petitions for review shall be filed and served within ten (10) days after the date of the staff action to which they relate, but a different period may be fixed in such staff action consistent with effective preservation of the right to petition for discretionary Board review.

(b) *Contents.* Petitions for review shall demonstrate that (1) a finding of material fact is clearly erroneous; (2) a legal conclusion is contrary to law, Board rules, or precedent; (3) a substantial and important question of policy is involved; (4) a prejudicial procedural error has occurred; or (5) the staff action is substantially deficient on its face. The petition shall briefly and specifically state the alleged grounds for review and the relief sought. If persons who participated at the staff action level set forth any new facts, arguments, or other new matter, an explanation must be furnished as to why said matter was not previously adduced at the staff action level. In the absence of a valid explanation, the Board may disregard such new matter.

(c) *Form and filing.* Petitions shall comply with the form and filing requirements of §§ 302.3 (a), (b), and (c), and 302.4 of this chapter (Board's rules of practice in Economic Proceedings.) Petitions shall not exceed 10 pages in length. A greater length, however, may be specified in the staff action taken. The petitions shall be accompanied by proof of required service. However, persons who seek review of a civil penalty proposed by the Director, Bureau of Enforcement, pursuant to § 385.22(a) may submit their request therefor by letter to the Board, with a copy to the Director, Bureau of Enforcement, and need not comply with the above form and filing requirements.

(d) *Service.* A petition filed by a person other than the applicant shall be served on the applicant. Petitions shall also be served on any persons who have served documents on the petitioner at the staff action level, and on such other persons as may be directed by the Board or the staff member who took the action to be reviewed.

(e) *Answers.* The applicant and such other persons as disclose a substantial interest which would be adversely affected by the relief sought in the petition may, within ten (10) days after filing the petition, file an answer thereto. A different period for the filing of answers may be fixed in the staff action. Such answers shall comply with the form and filing requirements applicable to petitions and shall be served on the applicant and any other person who has theretofore served a document in the matter on such respondent.

§ 385.52 Effective date of staff action

Unless, within the time provided by or pursuant to this regulation, a petition for review is filed or the Board gives notice that it will review on its own motion, staff action shall, without further proceedings, be effective and become the action of the Board upon the expiration of such period. A timely

petition for review filed in accordance with the provisions of this section, or notice given by the Board of review on its own motion, shall stay the staff action pending disposition by the Board, unless the Board determines otherwise. However, in cases where the Board's regulations provide that permissions or approvals are granted, or that other legal effects result, within a stated period from the filing with the Board of a prescribed document, unless the Board gives notice to the contrary or takes other action within said period, such notice given or action taken by a staff member under delegated authority shall toll the running of such period.

§ *385.53 Review by the staff*

Where a petition for review is duly filed, the staff member may, upon consideration of all documents properly filed, reverse his decision. In such cases the petition for review will not be submitted to the Board. This staff action shall be subject to petition for Board review as any other staff action.

§ *385.54 Decision by the Board*

(a) *Decline of right to review.* If the Board declines its right to exercise discretionary review, its order will determine the effective date of the staff action stayed by the petition for review.

(b) *Exercise of right to review.* The Board will exercise its discretionary right of review either upon petition or on its own motion if two or more Board members so desire. The Board may by order provide for interlocutory relief pending its decision on the merits and may limit the issues on review. It may affirm, modify, or set aside the staff action, may order the matter remanded, or may order further submittals or other proceedings before making its decision on the merits. Decisions by the Board under this part are final and will not be subject to petitions for reconsideration.

By the Civil Aeronautics Board.

[SEAL] HAROLD R. SANDERSON, *Secretary.*

[F.R. Doc. 61–12136; Filed Dec. 21, 1961; 8:47 a.m.]

[Regulation No. OR–2]

UNITED STATES OF AMERICA,
CIVIL AERONAUTICS BOARD,
Washington, D.C.

(Organization Regulations, Amendent No. 1 to Part 385, Effective: August 2, 1962, Adopted: August 2, 1962)

DELEGATIONS AND REVIEW OF ACTION UNDER DELEGATION PURSUANT TO REORGANIZATION PLAN NO. 3 OF 1961—NONHEARING MATTERS

ADDITIONS TO AND DELETION OF DELEGATED AUTHORITY

Reorganization Plan No. 3 of 1961 confers upon the Board authority to delegate to any of its employees "by published order or rule" any of its functions, including those which may be performed without notice and hearing. Part 385 was adopted by the Board to implement this aspect of the Reorganization Plan. In further implementation of the Plan, the Board is herein making additional delegations authorizing staff designees to approve or disapprove (1) applications of persons seeking approval of a consolidation, merger, purchase, lease, operating contract, or acquisition of control which does not affect the control of an air carrier directly engaged in the operation of aircraft in air transportation, does not result in creating a monopoly, and does not tend to restrain competition, (2) applications of air carriers or foreign air carriers to do business in names other than those already authorized, and (3) applications of air carriers for changes in approved service plans for foreign air transportation.

In addition, the Board is expanding the scope of existing delegations authorizing staff designees to approve or disapprove (1) applications of air carriers for changes in service patterns for local service air transportation, (2) applications of air carriers for operating authorizations by exemption from certificate limitations, (3) contracts or agreements filed pursuant to Section 412 of the Act, (4) requests of air carriers to use their own reporting forms, and (5) applications pertaining to modification of guaranteed loan agreements.

With respect to the delegation last mentioned, the change is, essentially, to provide express authority herein, in lieu of existing implied authority, for passing on modifications of loan agreements which for merely technical reasons should be accomplished by amendment of agreement provision(s) rather than by waiver thereof.

Further, the Board is withdrawing its delegation of authority to the Alaska Liaison Representative, Bureau of Economic Regulation, to extend the period of suspension of a tariff filed by any Alaskan air carrier. As a result, this authority is now included in the delegation under § 385.15(g).

On the occasion of these amendments, two minor amendments of a clarifying nature are being made in the general provisions of Part 385. Section 385.3 now provides that "each staff member may determine any procedural matters which may arise, including *inter alia* * * * dismissal of incomplete or otherwise defective applications." This provision is being clarified by addition of express authority to dismiss applications at the applicant's request or to dismiss applications which are moot. Section 385.4 now provides that staff action under delegated authority "shall be *signed by* the person exercising the delegated function." In practice it has been found desirable that staff action taken in the form of letters shall be signed by the delegatee while orders under delegated authority are issued in the name of the delegatee and signed by the Secretary. To remove a seeming inconsistency, the quoted phrase is being reworded to read "shall be *in the name of* the person exercising the delegated function." This more general language will cover the form of letters as well as that of orders.

Since these amendments are not substantive rules but rules of agency organization and procedure, notice and public procedure hereon are unnecessary, and the amendments may be made effective immediately.

In consideration of the foregoing, the Civil Aeronautics Board hereby amends Part 385 of the Organization Regulations (14 CFR 385) effective August 2, 1962, as follows:

1. By amending the second sentence of § 385.3 through adding after the words "dismissal of" the words "applications upon the applicant's request, moot applications, or," so that it reads as follows:

"In such proceedings, each staff member may determine any procedural matters which may arise, including, *inter alia*, service of documents on additional persons; filing of otherwise unauthorized documents; waivers of procedural requirements; requests for hearing; requests for additional information; dismissal of applications upon the applicant's request, moot applications, or incomplete or otherwise defective applications; and extensions of time."

2. By amending the second sentence of § 385.4 through substituting the words "in the name of" for the words "signed by" so that said sentence reads as follows:

"Such orders or informal writings shall contain a recital that action is taken pursuant to delegation; shall, in cases where there are 'parties or interveners,' contain a brief reference to the right of aggrieved parties to petition the Board for review pursuant to applicable procedural rules, including a statement of the time within which petitions must be filed (§ 385.51); and shall be in the name of the person exercising the delegated function."

3. By amending § 385.12 through adding a new subparagraph (b) after subparagraph (a) as follows:

"(a) * * *; or

"(b) Approve, when no person disclosing a substantial interest protests, or deny applications of certificated route air carriers for exemptions to perform any other operation prohibited by a term, condition or limitation in a certificate."

4. By redesignating §§ 385.13 (j), (k), (l), (m), (n), (o), and (p) as §§ 385.13 (k), (l), (m), (o), (p), (q), and (r), respectively, and adding new §§ 385.13 (j) and (n) to read as follows:

"(j) Approve or disapprove applications of air carriers or foreign air carriers for permission to do business in names other than those authorized pursuant to regulation or order of the Board."

"(n) Approve, when no person disclosing a substantial interest protests, or disapprove applications filed under § 203.2 of the Economic Regulations by air carriers certificated to engage in foreign air transportation to a general area, for authority to effect changes in approved service plans."

5. By amending redesignated § 385.13(l) to substitute new subparagraphs (2) and (3) so that said section reads as follows:

"(l) Approve or disapprove all applications filed under Section 202.4 of the Economic Regulations by local service carriers for authority to effect temporary or seasonal changes in service patterns; (2) approve, when no person disclosing

a substantial interest protests, or disapprove such applications to effect any other changes in service patterns; and (3) revoke, modify, or renew, prior approval of (i) temporary or seasonal changes, or (ii) in the absence of protest by third persons disclosing a substantial interest, any other changes in service patterns."

6. By amending redesignated § 385.13(o) through modifying the qualifications in subparagraph (1) by amending said subparagraph, adding a new subparagraph (2), and renumbering former subparagraph (2) to (3) and amending the same to read as follows:

"(o) With respect to Section 412 contracts and agreements:

"(1) Approve contracts or agreements, or modifications, terminations, or cancellations thereof, filed by air carriers under Section 412 of the Act, except:

"(i) those which are concerned with the establishment of rates, fares, or charges; or

"(ii) those protested by a person disclosing a substantial interest and which are concerned with (a) standardization of equipment; (b) schedules; (c) substantial limitations on competition; or (d) interchange of equipment and 'Trackage rights'; or

"(iii) those protested by a person disclosing a substantial interest and which are industrywide or substantially industrywide in effect, other than those on which there are clear Board precedents, or which do not involve substantial questions of policy.

"(2) Disapprove contracts or agreements, or modifications, terminations, or cancellations thereof, filed by air carriers under Section 412 of the Act, except those involving the establishment of rates, fares, or charges.

"(3) Terminate matters relating to contracts and agreements (except those concerning rates, fares, or charges) which, prior to review thereof, have expired, been terminated, or been superseded."

7. By amending redesignated § 385.13(q) through adding a second subparagraph and revising the section to read as follows:

"(q) With respect to consolidations, mergers, purchases, leases, operating contracts, and acquisitions of control:

"(1) Grant or deny applications for exemption from Section 408 of the Act; and

"(2) Grant or deny pursuant to the third proviso of Section 408(b) of the Act applications for approval of transactions which are found not to affect the control of an air carrier directly engaged in the operation of aircraft in air transportation, not to result in creating a monopoly, and not to tend to restrain competition."

8. By amending § 385.16 through substituting the words "approve or disapprove" and "found" for the words "issue letters approving or disapproving" and "believed," respectively, in subsection (a) and otherwise revising said section, so that it reads as follows:

"§ 385.16 *Delegation to the Chief, Subsidy Division, Bureau of Economic Regulation.* The Board hereby delegates to the Chief, Subsidy Division, Bureau of Economic Regulation, the authority to:

"(a) Approve or disapprove waivers and amendments of provisions in guaranteed loan agreements; approval to be granted in cases where it is found that such waivers or amendments will not adversely affect the obligation of the Board under the guarantee and will not increase the risk that the Board will have to make payment on the guarantee."

9. By amending § 385.17 through deleting the reference to § 385.15(g) [extension of tariff suspension periods], so that it reads as follows:

"§ 385.17 *Delegation to the Alaska Liaison Representative, Bureau of Economic Regulation.* The Board hereby delegates to the Alaska Liaison Representative, Bureau of Economic Regulation, the authority cited in §§ 385.15(a) and 385.15(b) of this Part insofar as it relates to Alaskan air carriers."

10. By amending § 385.18(e) to read:

"(e) Grant or deny requests by air carriers for substitution of their own forms or adaptation of Board forms to meet special needs where Board approval of such forms is required by the Economic Regulations."

(Section 204(a), 72 Stat. 743; 49 U.S.C. 1324. Interpret or apply Section 1001, 72 Stat. 788; 49 U.S.C. 1481, and Reorganization Plan No. 3 of 1961, 26 F.R. 5989.)

By the Civil Aeronautics Board:

[SEAL] HAROLD R. SANDERSON, *Secretary.*

Part 385 last printed January 20, 1962.

Answer 1(*b*). The reference in the budget justifications was to safety enforcement proceedings. This delegation has since been issued, as amendment No. 3 to part 301 of the Board's procedural regulations and was effective February 1, 1962. The delegation was to each hearing examiner to make the agency decision, subject to discretionary review, on appeals from actions of the Administrator of the Federal Aviation Agency.

Answer 1(*c*). Reorganization Plan 3 and the delegations issued by the Board thereunder have been in effect a relatively short period. The primary objectives of Reorganization Plan 3 were (1) to reduce the volume of individual cases requiring decision by the members of the Board and thereby free some of their time for consideration of major policy and planning; and (2) to expedite the work of the Board. The individual delegations extend, at least in effect, to virtually every area of the Board's work. No ready means is available to measure the effect on efficiency or costs. However, the making of the delegations was one of the more important factors considered when the Board constructed its 1963 budget estimates on, "the general assumption that improved procedures, increased utilization of positions, increased productivity of personnel, additional delegations of authority, and other improvements in operations would result in increased efficiency and production in a general order of magnitude approximating 20 to 25 percent in 1963 over 1961."

2. On page 4, and elsewhere throughout the budget estimate, reference is made to "immediate formal consideration of expected merger proposals." I do not understand the phrase "immediate formal consideration."

(*a*) Does not the Board consider merger applications in accordance with section 408 after notice and hearing?

(*b*) Does this phrase represent conjecture on the part of the staff or fact?

The Board does consider merger applications only on the basis of an evidentiary record developed after notice and hearing as required by section 408. Only one merger application is pending; however, the trade and public press have reported that other air carriers have been discussing possible mergers. The phrase "expected mergers" is based on these reports.

The term "formal consideration" means the setting down of an application for an evidentiary hearing, in accordance with procedures established pursuant to the Board's rules of practice and the Administrative Procedure Act. In the case of merger applications, the Board has made it clear that it will give such applications procedural priority and set them down for prompt hearing.

3. On page 4, reference is made to the intention of the Board to adopt "additional exemption regulations wherever feasible." As you of course know, the Senate Commerce Committee as well as the Senate-House conference committee on S. 1969 took very strong issue with the Board's excessive use of its exemption authority. In the quoted phrase, is the Board referring to exemptions under section 416?

Our comment on page 4 relative to the adoption of "additional exemption regulations wherever feasible" refers to exemptions which relieve carriers of certain requirements imposed by sections 408, 409, and 412 of the act. Such exemptions are issued because of the absence of factors which require strict conformance with the provisions of the aforesaid sections, i.e., the agreements, transactions, and relationships involved are not of regulatory significance and are otherwise burdensome to the Board and the industry. Such exemptions are not involved in the excessive use of the Board's exemption powers as cited by the mentioned Senate committees. It is our understanding that such statements pertain to exemptions granted in section 401 certificate proceedings. We know of no criticism of the Board relative to the issuance of exemptions by means of economic regulations.

4. On page 5 the budget suggests that there are or will be many commercial rate matters which will be presented to the Board for consideration. What new rate matters are presently before the Board?

There are today pending before the Board seven rate investigations which have been instituted since submittal of our budget estimates in January 1962. One is a major investigation of the tariff refund rules applying to the so-called bus-type air fares; another proceeding involves the refund rules relating to another type of promotional fare now in effect; two others relate to charter rates; one to a carrier request for review of the minimum rate for a certain type of charter service for MATS; and one involves certain reduced fares for night coach services. The seventh case is an investigation of the lawfulness of the practices of certain carriers in providing private "club" facilities to selected passengers.

In addition to these cases, however, 17 other proceedings were initiated and disposed of during the first 7 months of calendar year 1962. These cases covered a wide range of matters including specific cargo rates, rules limiting carrier liability, excursion fares, charter rates, and a proposal for a general passenger fare increase. Some of these cases were resolved by agreement among the parties, some by informal investigation procedures by our staff, and some by cancellation of the tariff provisions by the carrier concerned.

5. On page 6 it is stated that international aviation problems are becoming more acute, in part, because of the "entry of airlines of new nations." To what new nations do you have reference?

This statement refers primarily to the newly independent African countries which are establishing or preparing to establish international airlines. It also includes other new countries where aviation problems are anticipated such as Indonesia, Jamaica and Trinidad/Tobago.

A recent study indicated that 13 African airlines were serving other international routes. The U.S. Government is presently considering problems with respect to Air Afrique, which will be involved in negotiations with Senegal this fall. Countries participating in the Air Afrique consortium are Chad, Central African Republic, Congo (Brazzaville), Dahomey, Upper Volta, Niger, Ivory Coast, Senegal, Mauritania, Gabon, and Cameroun. In addition to formal negotiations with Senegal, formal requests have been received from Nigeria, Ghana and Congo (Léopoldville), for bilateral negotiations in the future.

In addition, Austria, Iraq, Turkey, and the United Arab Republic desire to discuss routes to the United States. No routes were described for the airlines of these countries during the negotiations of our bilateral agreement since they were not at that time able to undertake long international routes. Yugoslavia, with which we now have no air transport agreement has recently indicated its desire for a bilateral.

6. On page 6 reference is made to the "development of techniques for preventive enforcement via voluntary compliance." I assume what you have in mind here is new part 305. It is my understanding that the Board will have the right to issue subpenas to get certain facts from suspected violators. Will these facts so obtained then be used aaginst such persons? Will the persons involved get a full, impartial hearing before a hearing examiner?

The "development of techniques for preventive enforcement via voluntary compliance" does not refer to the proposed new part 305. "Preventive enforcement via voluntary compliance" refers to various methods of calling to the attention of air carriers certain practices which are in contravention of the act and Board regulations. It is hoped that warnings via industry letters or similar means will make the Board's views available to all air carriers, and result in voluntary compliance with the act and regulations.

Procedures pursuant to proposed part 305 are detailed in the explanatory statement accompanying the notice of proposed rulemaking which has been made part of the record.

Specifically, the subpenas which would be issued in the event that the proposed part 305 is adopted would be utilized to secure factual information from persons who have knowledge of the facts. These persons would include not only persons thought to be violating the act but also persons who are in possession of information regarding violations and who will reveal such information only in response to a subpena.

Regardless of the information obtained by such subpenas under part 305, no findings of violations could be made or enforcement sanctions be imposed on a respondent without a full impartial hearing before a hearing examiner in a formal compliance proceeding under section 1002 of the act.

OPERATING AUTHORITIES AND PRACTICES

1. Turning to charts on pages 18 and 19, using a straight ratio of work units to position requirements, if you were able to handle 578 hearing cases in 1961 with 14.2 people, you should be able to handle 475 cases in 1963 with 11.65 people, and handle all route cases with a total of 61 people (an increase of 2 rather than 3). With respect to individual flight authorizations, if you handled 924 units in 1961 with 7.6 people, is it not possible to handle 785 with 6.5 people rather than 8.6 people indicated in the budget? Totaling your requirements, it would seem that your estimated 1963 workload would require three as opposed to six additional positions. Route cases plus two; individual flight authorizations minus two; supplemental carriers plus three.

In the area of route cases and related matters, it is true that 578 cases were handled by 14.2 people in 1961 and in 1962 a position requirement of 13.9 is reflected for 475 cases, as opposed to 11.7 which would be required if the 1961 ratio were used. During fiscal 1962 (and equally applicable in 1963) complex proceedings, such as "use it or lose it," and area airport investigations, stem from exhaustive preliminary analyses performed in part by staff who also process nonhearing cases. Results of these analyses form the basis for Board-instituted investigations. Also, in an increasing number of instances, occasioned by the shift of authority for certain points or segments from trunkline to local service carriers, applications for temporary suspension or exemption are converted to formal investigations. In most of these a tentative Board conclusion is determined, in order to pinpoint the issues and speed the formal consideration. As a result, much more detailed analysis is required to support the Board's tentative findings in the show-cause orders. Therefore, although the number of applications is estimated to be lower, the time required for processing many of them is increased substantially. This fact, together with the analytical work required for Board-instituted investigations, justifies the position requirement indicated.

Although the anticipated decrease in individual flight authorizations would appear to indicate a reduction in position requirements, the figures indicating number of applications standing alone fail to portray accurately the work situation related to this activity. The handling of 924 applications in 1961 was, in fact, accomplished only through extensive overtime, and even absent other considerations, some increase in positions would be required to handle the anticipated load in 1963 without resorting to overtime. However, a significant workload requirement relating to the individual flight activity but not reflected in the number of applications, is the marked increase in correspondence with the general public relating particularly to charter flights and group fare travel. For example, in fiscal 1961 the staff component responsible for processing individual flight authorizations handled approximately 750 letters, while in fiscal 1962 this number jumped to approximately 2,000.

2. On page 21 you indicate a reduction in workload of 53 units in the processing of U.S. carrier exemptions. You then add 58 work units to the workload requirements in processing section 1108(b) foreign carrier permits and part 212 off-route foreign carrier charter applications. With the use of seasonal exemptions, I can understand the decrease in the processing of U.S. carrier exemptions, but I do not understand why the workload will increase with respect to foreign carriers under section 1108(b) and part 212. Have you simply deducted 53 work units and then turned around and added 58 in order to save 1 position?

The projected increase in foreign civil aircraft flight permits (sec. 1008(b)) and off-route charter applications (pt. 212) is not related to the reduction in workload in processing exemption applications of U.S. carriers, but reflects, rather, a growth trend. For example, in the past 3 fiscal years (1960, 1961, and 1962) the number of part 212 applications received were 361, 381, and 408, respectively. For the same years, the number of 1108(b) applications were 243, 273, and 274, respectively. While the latter appears to have stabilized, an analysis of receipts for a longer period indicates a steady increase. The figures for 1962 do not appear to be a sufficient basis for concluding that this growth has stopped.

3. On page 22, with reference to position requirements in connection with supplemental air carriers, I assume that with the passage of S. 1969 this portion of the budget justification is out of date.

On the contrary, the position requirements for work on supplemental air carrier application are more immediate and urgent now than at the time the budget estimates were prepared originally. The legislation signed into law on July 10, 1962, provides for permanent certification of supplemental air carriers. Pending permanent certification the Board is empowered to grant interim authority for supplemental air service, but such authority must be granted, if at all, within 90 days of the enactment of this legislation to avoid any lapse of authority. The excessive workload demands of the next few months brought about by the need to act, within 90 days, on the interim authority and the long-term demands for the processing of permanent certification will make the burden on the existing staff exceptionally heavy for some time to come. Over and above the applications expected from carriers currently authorized to provide supplemental air service, the Board has on its docket numerous applications by persons seeking supplemental authority. In all, there were approxi-

mately 125 such applications pending as of June 30, 1960. Many of these applications have been on file for a considerable period of time and it was hoped that with additional manpower it would be possible to reduce this backlog.

4. On page 23, it is stated: "During 1960 a regulatory exemption was adopted by the Board to eliminate the filing of certain routine agreements, and further expansion of this exemption is contemplated." I assume reference is made to sections 408 and 412 having to do with antitrust provisions, mergers, pooling, and filing of certain agreements. What do you mean by "routine" and what "further expansion" do you have in mind?

Our comment on page 23 relative to exemption by regulation (pt. 289) from the filing requirements of section 412 with respect to "certain routine agreements" refers to those which have little or no regulatory significance, the filing and processing of which is burdensome both to the industry and the Board. Such "routine" agreements are mainly those which pertain to ground (airport primarily) facilities, services, and equipment. Concrete examples would be those covering airport station functions such as joint use of ramp equipment, refueling facilities, building space, and the rendering of such items as aircraft loading and cleaning services. The exemption does not apply if the dollar amount of the transaction involved exceeds $50,000 annually. The contemplated expansion of this regulation was made effective March 8, 1962, to include certain free or reduced-rate transportation agreements and also to include cargo pickup and delivery agreements between air carriers and surface motor carriers.

We also have a section 408 exemption regulation (Part 299) which exempts air carriers from the necessity of filing for and securing prior Board approval of certain aircraft sale and lease transactions which are of little or no regulatory significance. The regulation reserves for Board review specific kinds of significant transactions. The exempted transactions are of the kind frequently consummated by the industry in the usual course of a day-to-day operation. The exemption has the effect of expediting the business of air carriers without detriment to the exercise of the Board's regulatory responsibilities. No further expansion of the exemption is presently planned.

Also available to the industry is part 287 which exempts direct and indirect air carriers from section 409 with respect to certain classes of interlocking relationships which also have little or no regulatory significance. These would include, for example, an interlock between a direct air carrier and a surface common carrier engaged only in pipeline or communication operations. The exemption also approves in advance the participation of individuals in specified classes of interlocking relationships.

We believe these actions are consistent with the policy of the Congress and of the President as stated in his transportation message that detailed regulation should be minimized where consistent with the overall public interest.

RATES AND FARES

1. Turning to the charts on pages 25, 26, again using a straight ratio basis of work units to position requirements, it would seem that 41 rather than 43 positions are needed in connection with subsidy rates and guaranteed loans or a reduction of 2. Commercial rates, similarly, would appear to require 53 positions, or an increase of 4 rather than the estimated 6. In other words, the total number of new positions should be 99 (rather than 103), for an increase of 2 (rather than 6).

While the number of work units in the subsidy rate and guaranteed loan area is estimated to decrease from 81 units in 1962 to 77 in 1963, the nature and scope of the cases to be processed in 1963 will require many more man-hours. In fiscal 1963 we will process cases which will require extensive formal proceedings involving major carriers such as the TWA 1946–54, Northwest–1954, Northwest–1951, and the Eastern-Colonial case. In addition, now that the results for the local service operations for the calendar year 1961, the first year under the class rate, are available, the review, analysis and workload related to the profit-sharing determinations together with our intention of revising the class rate plan effective January 1, 1963, will require substantially more man-hours than was expended on this type of work during fiscal year 1962. The workload data does not reflect these important factors.

The commercial rates work unit data set forth in the table on page 30, upon which the comparisons with the position requirements are based, have been outdated by the passage of time. As explained in Vice Chairman Murphy's state-

ment, dated August 7, 1962, the volume of tariffs filed in 1962 was 11 percent above the expectation for that year. On the basis of this volume we are now estimating that a total of 52,000 tariffs will be filed in 1963, which is 21 percent above the 1962 total.

The upward trend in tariff filings results in an increase in other related activities such as the processing of formal and informal proceedings. An increased flow of tariffs generates an increased volume of complaints by competing carriers and air transportation users and a greater volume of rate and fare investigations. On the basis of current volumes and trends, we now estimate that we will be involved in 80 formal rate proceedings during 1963. This is an increase of one-third over 1962. Some part of that total represents a reduction of backlog carried forward from previous years.

The anticipated increases in 1963 work units in these two areas, which represent the most important portions of the Board's commercial rate and fare activities and the great majority of the work units, would normally require more than the six positions requested in this budget. We contemplate getting more work units completed per person during 1963 than we did in 1962.

2. On page 29, 10 areas of work, suggesting detailed regulation in the rates and fares area are cited. Do you not feel that this is inconsistent with the President's transportation message calling for less detailed regulation?

No, we do not believe so for the following reasons. The 10 basic areas of work in the commercial rates field reflect, of course, the Board's regulatory responsibilities under the present statute. Although future amendments of the Federal Aviation Act may well modify the Board's areas of responsibility, we cannot now assume just what those changes will be or just when they will occur. As a matter of fact, however, the Board's regulation in the rate and fare area is much less detailed than it may seem from the summary of activities on page 29. Only a tiny percentage of the thousands of tariff filings, we estimate 52,000 in 1963, are subject to investigation. The vast majority of tariff filings are permitted to become effective without investigation provided that such filings meet the technical requirements of our tariff regulations as to form.

Some of the President's proposals would tend to reduce the Board's regulatory responsibilities. The President has recommended bulk commodities and agricultural and fishery products be exempted from minimum rate regulation. But these commodities are of comparatively minor importance in air transportation today. We do not believe that this change in the statute would materially affect our current volume of work. The President has also recommended that the control of intercity passenger rates be limited to the establishment of maximum rates. In the case of air transportation, however, the President's transportation message notes that it may be preferable to initiate this change on a gradual basis under existing authority. Actually, the Board's regulatory activities in the passenger fare area in recent years have been predominantly concerned with maximum rate regulation. Only in comparatively few and isolated instances has the Board found it necessary in the public interest to prevent reductions in rates.

Others of the President's proposals would tend to increase the volume of the Board's work in the rate and fare area. For example, the President has urged that the regulatory agencies be directed to sanction experimental freight rates and new kinds or combinations of service. In addition, greater emphasis is to be given to new combined services and rates as between carriers representing the various modes of transportation.

3. On page 29, in connection with rate matters, it is stated that commercial rate matters "will involve entirely new problems and require entirely new solutions." This phrase seems to be very popular in this budget estimate, since it appears to have been used on a great number of occasions. What new problems and what new solutions do you have in mind?

The attainment of a substantial degree of maturity by the U.S. air carrier industry has been accompanied by a marked reduction in the rate of growth of passenger traffic, the major source of air carrier revenues, and a chronic imbalance between available capacity and traffic carried. This latter has resulted in declining passenger and overall load factors and has contributed in major degree to the current unsatisfactory carrier earnings situation.

Ways and means must be found to expand air carrier markets both in the carriage of passengers and cargo. At the same time, approaches must be developed, in part at least in the rate and fare area, which will improve the economics of air transportation. The Board is now engaged in studies of market

demand in relation to differing fares or rates changes in order to obtain a better insight into the responsiveness of traffic volumes to fare or rate levels. We are also conducting a comprehensive study of airline costs of transporting cargo. This study will, it is hoped, provide the Board and the industry valuable guidelines for purposes of developing a future economic cargo rate structure.

Increased emphasis on joint air-surface carrier services and rates represents another avenue, litle explored up to now, which may well offer many benefits to the traveling and shipping public as well as to the carriers involved. We at the Board are giving increasing amounts of attention to this area.

SUBSIDY

1. What efforts is the Board making to reduce subsidy to the local service carriers?

The Board has an established and operating four-point program for reversal of the upward subsidy trend. This program is not, however, of sudden crash proportions. Its achievement depends upon (1) the suspension or curtailment of service, under the Board's use-it-or-lose-it policy, at points where traffic generation is inadequate; (2) the strengthening of the carriers' route systems so that revenues will increase more rapidly than costs, thus resulting in a corresponding reduction of subsidy need; (3) the integration of services for various cities through the regional airport concept, which will reduce costs and accordingly reduce subsidy; and (4) the realization of the full potential of the more modern aircraft purchases by the smaller carriers, many of such aircraft being covered by Government loan guarantees.

This four-point program is well underway, but its benefits cannot—for reasons of due process, and practical considerations—be realized until after July 1, 1963. Route actions, whether suspensions of weak points or addition of strong traffic-generating centers, must follow statutory hearing requirements which take time. The same is true of the regional airport concept. The reequipment cycle is well advanced, but the full integration of such equipment into the carrier's systems is not concluded. The year of realization of substantial benefits of such aircraft in terms of subsidy reduction should be 1964, not 1963.

In addition, as directed by the President's transportation message of April 5, 1962, our staff is working, on a top-priority basis, on a report to be submitted to the President before June 30, 1963, setting forth a comprehensive program aimed at gradual but significant subsidy reductions on a scheduled basis.

In this connection, the Board has been assured of industry cooperation in this endeavor, with the appointment, under the auspices of the Association of Local Transport Airlines, of a committee of industry officials to work with and advise the Board's staff on various aspects of the program.

2. With respect to subsidy to local service carriers, does this not involve a contractual obligation between the Government and the particular carriers involved? In other words, if Congress failed to appropriate the amount of money which you have requested in your budget, and assuming that such amount is necessary to fulfill your contractual obligations, would the carriers have a legal right to collect the difference from General Treasury receipts?

Congressional failure to appropriate funds sufficient to pay subsidy awards would not affect the Government's liability therefor. The Board's power to obligate the Government to pay subsidy derives from section 406 of the Federal Aviation Act, and does not depend upon the existence of appropriations (34 Comp. Gen. 158, 160 (1954)). An obligation incurred pursuant thereto "is not avoided by the omission on the part of Congress to provide the money with which to discharge it." *Shipman* v. *U.S.* (18 Ct. Cl. 138, 146–7). The liability "exists independently of the appropriation, and may be enforced by proceedings in the Court of Claims." *Collins* v. *U.S.* (15 Ct. Cl. 22, 25); *Ralston* v. *U.S.* (91 Ct. Cl. 91); *Seatrain Lines, Inc.* v. *U.S.* (99 Ct. Cl. 272). It is not quite accurate to say, however, that the carriers have a right to satisfaction out of "General Treasury receipts." Their remedy would be by suit against the United States in the Court of Claims under the Tucker Act and, of course, even judgments of the Court of Claims cannot actually be satisfied in the absence of an appropriation therefor.

INTERNATIONAL AVIATION

1. "In the second paragraph (p. 32 the Board's budget estimate) you state that the Board participates in IGIA—has primary responsibility for preparation of U.S. positions on economic matters involving ICAO, NATO–CAPC, ECAC, and similar international aviation bodies. With respect to these activities is

the Board acting under specific statutory jurisdiction—is it acting in this capacity as an independent agency or is it acting on behalf of the President in an advisory capacity?"

Each of the international aviation organizations referred to regularly deals with problems involving the economics of international air transportation. The studies, resolutions, recommendations, and multilateral agreements promulgated by these organizations can have a significant effect on the international environment within which the Board's statutory responsibilities are exercised. Representation of the United States on these bodies is a foreign relations function and the responsibility of the Department of State, but machinery is needed whereby the coordinated views of the Civil Aeronautics Board and other agencies having responsibility in the field of international aviation can be made available to the U.S. representatives.

This need is met by the Interagency Group on International Aviation (IGIA), which was created pursuant to instructions from the President by agreement dated December 9, 1960, between the heads of five Federal agencies with primary responsibility in the field of international aviation (CAB, State, FAA, Commerce, and Defense).

In view of the importance of the work of the international aviation organizations and the relationship of such work to the Board's statutory functions, this agency has actively participated in the interagency coordination machinery. This participation is authorized pursuant to the general powers conferred upon the Board by section 204 of the Federal Aviation Act to perform such acts as it shall deem necessary to exercise its powers and duties under the act, and pursuant to the provisions of section 802 of the act which requires that the Board be advised by the Secretary of State and consulted by him concerning the negotiation of any agreement with foreign governments for the establishment or development of air navigation.

The function of IGIA is to advise the Secretary of State on international aviation matters. The Board, therefore, participates in IGIA in a capacity of adviser to the executive branch rather than in the capacity of an independent administrative agency acting as an arm of Congress as it does in the domestic field. The Board's advisory role in IGIA is consistent with its functions in the international field under the scheme of the act.

BUREAU OF INTERNATIONAL AFFAIRS

2. On page 33, the permanent position requirement totals 20 persons. Could you give us a breakdown as to the makeup of these 20 positions by title and GS grade?

Positions authorized for 1962 and requested for 1963

GS–17—Director.
GS–16—Associate Director.
GS–13—Attorney-adviser.
GS–7—Secretary (stenographer).
GS–7—Secretary (stenographer).

Eastern and Special Programs Division:

GS–16—Chief.
GS–14—Assistant Chief.
GS–13—Liaison officer.
GS–12—Transportation economist.
GS–12—Air transport examiner.
GS–9—Air transport examiner.
GS–9—Air transport examiner.
GS–6—Secretary (stenographer).
GS–5—Clerk (stenographer).

Western division:

GS–15—Chief.
GS–14—Assistant chief.
GS–13—Air transport examiner.
GS–13—Air transport examiner.
GS–9—Air transport examiner.
GS–5—Clerk (stenographer).

3. As you of course know, a special Presidential study group is conducting an overall review of international aviation policies. It was apparently for this reason that the Board did not wish to take a position during the recent hearings before the House Commerce Committee on this subject. On page 34, reference is made to Board policy review and development studies in international aviation matters. Are the Board's efforts overlapping those of the special Presidential study group?

(*a*) To what extent is the Board participating in and cooperating with this study group?

(*b*) Do you have any plans to utilize this report or implement its recommendations? Will it affect the Board's workload in this area—i.e., with respect to policy review and development cited in the budget estimate?

First, it would be well to explain what the special Presidential study group is doing. Two contractors, Robert R. Nathan Associates, Inc., and Systems Analysis & Research Corp., are conducting the study under contract to the Budget Bureau. Their final report will not make recommendations for Government action. It will be limited to presenting considerable background material, and outlining a range of possible policy alternatives from which the governmental agencies will presumably choose.

Policy direction for this study comes from a Steering Committee of Government agencies. The Chairman of the CAB is a member of this Steering Committee. This Committee provides guidance in the form of policy decisions, and receives periodic reports. At present, the initial confidential draft has gone to Mr. Boyd as member of the Steering Committee, and has not come before the Board for review or approval. Mr. Boyd has, of course, called upon a few members of the staff for assistance on this project.

(*a*) Board personnel contributes to this project as follows:

Provides assistance to Mr. Boyd on all matters brought up at Steering Committee meetings or interagency discussions of these matters.

Helps work out the proposed contract.

Helped evaluate the eight contract bids, and participated in the Steering Committee selection of the final contractor.

Meets on numerous occasions with the contractors. In this connection, Mr. Boyd agreed to provide, in addition to other participation, the equivalent of two men for the duration of the contract study, to provide actual study report material and other basic information to the contractors for their use.

Meets on numerous occasions with the contractors and with other Government agency personnel to discuss information available, approaches possible, policies involved, analysis of problems, review of drafts of various substudies, etc. Mr. Boyd is now providing comments to the study group on the first working draft, and in addition staff comments are being transmitted to the contractors for such use as they may wish to make of them.

(*b*) The Board should utilize this report fully. It will, of course, not implement the recommendations of the study directly, since the study will not make recommendations. Following the completion of the study, it will be the duty of the Board and other Government agencies to analyze the report and its underlying studies, consider the range of policies presented, and to select among them, or to modify them, or to study further any particular problems that it considers not adequately covered in the study. This is not a criticism of the study, but obviously, limitations of funds and time will not allow any study to deal fully with all the practical problems facing the Board and other Government agencies in the broad range of complex policies and actions involved in international air transportation.

The study will provide the Board and others with raw material and sets of alternative policies. Considerable work will be necessary for the Board and other Government agencies to carry on from this point. Policy will still have to be established. Action will still have to be taken. The Board's further actions should be considerably assisted by the results of this study, but the study will not relieve the Board of the responsibility for making decisions, or establishing policies, or for carrying out these policies in specific actions in the years to come. It is expected that the Board's workload in this area will increase. However, without the study, either the Board's workload would have increased much more rapidly, or the Board would have to take its actions with less adequate background and crystallization of policy alternatives.

4. On page 35, in item 5, reference is made to recommending action on applications before other Government agencies for loans to foreign carriers. How do

you make these recommendations—what guidelines or standards are employed? Specifically, what recommendations, if any, have been made?

The recommendations on applications for loans to foreign carriers are made through the participation of the Civil Aeronautics Board in the Interagency Group on International Aviation (IGIA), which has the responsibility for coordinating such matters with the various departments and agencies of the Federal Government. The policy governing Government review of these applications, which is contained in the U.S. Civil Air Policy Statement of 1954, in general is to encourage the sale of civil aircraft and other aeronautical equipment to purchasers in friendly foreign countries. In its review of applications submitted for IGIA comment, the Board comments on whether or not the routes over which the applicant intends to operate the equipment to be purchased are authorized by outstanding permits or covered by effective bilateral agreements. Comment may also be made as to timing of action on applications in relation to international route negotiations.

The Board's recommendation on the majority of the loan applications has been for approval but in several instances such recommendation has been tied to certain conditions. Since the inception of the Eximbank loan program in 1945, 59 individual loans have been granted for purchase of U.S. aviation equipment from $115,000 to $30 million for a grand total of more than $400 million.

EXECUTIVE STAFF

1. On page 71, five positions are requested for an overall Planning Office. On page 24, in connection with Operating Authority and Practices, you have 10 positions involved in overall planning. On page 31, five positions are utilized in connection with Rates and Fares for "policy and administrative guidance * * * and planning." On page 40, in connection with Economic Enforcement, four positions are cited as necessary in connection with planning, etc. Since most of the Bureaus on the Board have a number of personnel devoted to planning, why do you need an overall Planning Office? To what extent do these people overlap one another? You have some very highly qualified people in this Planning Office and I want to be sure that their talents are properly utilized.

(*a*) Specifically, what has this Planning Office accomplished?

(*b*) What is the makeup of this office by title and grade?

Answer 1. The positions shown under the heading of "Overall Program Direction" in the several activities are engaged primarily in the provision of policy and administrative guidance to the staff of the particular activity, planning and scheduling the processing of the work, conducting special purpose projects and studies, and other work which serves the various functions of that activity.

The Planning Office has been in operation for 16 months through July 1962. Its Chief was employed for the entire period, a second man for 10 months, and a third man for 3 months. This is an average of 1.8 men; eliminating manhours assigned to other agencies, listed below, this represents an average of 1.5 professional personnel.

The purpose of the Planning Office is to help the Board in strategic planning of major substantive policies and action programs. Its major functions are—

(1) Assist the Board in establishing broad objectives within the Federal Aviation Act.

(2) Identify all present and probable future problem areas in air transportation.

(3) Assure the complete analysis of each major problem area, drawing on resources within its own office, other Board bureaus, other Government agencies, industry working groups, etc.

(4) Recommend the best courses of action for the CAB, the air transportation industry, other Government agencies, etc., as appropriate.

(5) Periodically review the results of Board and industry actions and recommend modifications if necessary.

Answer 1(*a*). Specifically, the accomplishments of the Planning Office are as follows:

1. *Goals of the CAB.*—The first major task of the Office was the drafting of a preliminary statement of long-range goals for the CAB, amplifying the declaration of policy in the act. This project has required very considerable thought and wide staff discussion. It is still in draft form and has not yet been presented to the Board or the staff for review.

2. *Problem areas of the CAB*—A second major task now underway is the identification of present and probable future air transportation problem areas.

This includes a listing and description of proposed projects, including either study or action or both, required to reach timely and practical solutions.

3. *Air taxi program.*—A "do it yourself" program was initiated to encourage air taxi operations. The primary purpose of the program is to encourage a healthy and economic growth of air taxi operations. In this way, it is hoped that maximum satisfaction of public need for small-aircraft transportation can be provided without Government subsidy, using existing small business organizations. The major problem as now seen is that, although air taxi operations are known within their own local areas, they are almost completely unknown to out-of-area airline personnel, traffic managers, and travel agents. The first step of this program is to encourage air taxi operators to produce a simple and effective air taxi guide, possibly as a supplement to the present scheduled air transportation guide used by the airlines, so that thousands of air transportation personnel outside the area of the air taxi operator will have readily available a complete listing of air taxi points served, fares charged, and equipment used, so that complete through air transportation can be sold to the ultimate destination. As a result of Board activity, air taxi operators are now working on this program.

4. *Air cargo cost study.*—A study contract for $47,800 was signed with Systems Analysis & Research Corp., and the final report was recently submitted to the Board. Within the next few weeks, the report and staff comments will be presented to the Board, including a proposed program for further action. It is a first attempt to produce an industrywide logical analysis of air cargo costs. The report is expected to provide a basis for a comprehensive review of cargo ratemaking principles using costs as a point of departure.

5. *Elasticity of demand—Passengers.*—This project is an attempt to evaluate the relative change of air passenger traffic volume with changes in fares. This is essential since the Board must approve or disapprove many fare proposals. The airlines presently have widely divergent opinions as to the effects of fares on traffic volume and on shifting of traffic from one class to another, and, from one destination to another. The investigation will attempt to evaluate the effect of other factors modifying the fare-volume relationship such as the amount and type of promotional advertising, sales effort used, limitations on promotional fares such as day of week or time of day or type of passenger, changes in aircraft type and scheduling, changes in other air competition, changes in surface transportation competition, etc. This project has been discussed with the staffs of four airlines, and all seem to feel that its successful completion is of great importance. Letters have now gone out to all airlines requesting that, for each special fare tried since January 1, 1957, the airlines, if they have information readily available, send in their experience including traffic and revenue statistics before, during, and after the special fares were tried. It is hoped that, by pooling the experience of the entire airline industry, valid quantitative estimates can be made of the primary relationship and its modifying factors.

6. *Local service aircraft.*—The Planning Office prepared the information for Chairman Boyd's speech on this subject in Seattle on April 24, 1962. Thus far, we have received replies from eight manufacturers, including oral and written presentations to the Chairman and staff members, brochures, letters, etc. This entire matter requires considerable analysis of the public service requirements for short-haul aircraft and its economic features.

This Office is also working with the ALTA committee created to tackle this same problem, and with the FAA which is also studying the developmental needs of such an aircraft.

7. *Air cargo problems.*—This Office is participating in a Board-wide staff effort to analyze the complete range of all problems in the air cargo field.

8. *Long-range area airport planning.*—This Office is cooperating with another Board staff group trying to improve the coordination between the CAB route certification process, the FAA airport planning and grant-in-aid programs, and the individual airport authorities' physical and financial planning. This has a considerable potential for long-range savings in direct subsidy to local service carriers, in Federal grants, and in Federal operation and maintenance expenses at airports which might be consolidated into area operations, with due consideration to be given to public service needs and the requirements of the localities which might be affected. This is in addition to the Board's program of formal area investigations to produce specific actions for individual airports.

9. *Liaison functions.*—The Planning Office has been designated as the Board's liaison with other Government agency planning activities. This has included:

(*a*) Participation in Project Horizon, "Report of the Task Force on National Aviation Goals," released September 1961 by the FAA.

(*b*) Presentation of CAB views and assistance to the Department of Commerce in its study of transportation that preceded the President's transportation message to Congress on April 5, 1962.

(*c*) Participation in the three-man committee established by the Secretary of Commerce to develop a transportation research program pursuant to the President's message. This program is still in the draft stage being reviewed within the Department of Commerce.

(*d*) Participation in the U.S. International Aviation Policy Review Study. Chairman Boyd is the Board's representative on the Governmental Steering Committee establishing policy for this project, and this Office was staff liaison for the very extensive assistance provided by the Board Bureaus and the Planning Office in the form of study material produced, initiation or review of drafts, formulation of proposed contract, recommended selection of Contractors, and discussions with the Contractors and with other Government agencies.

10. *Special assistance.*—One member of the Planning Staff is currently assigned to AID on a high priority mission to Africa involving U.S. international air transportation policy.

Answer 1 (b)

Planning Office positions authorized for 1962 and requested for 1963

Grade:	*Title*
GS–17	Chief.
GS–16	Planning officer.
GS–15	Planning officer.
GS–7	Research assistant (stenography).
GS–5	Secretary (stenographer).

2. You have requested $50,000 to permit the Board to contract out one study. You have $50,000 in carryover funds which have not been utilized to contract out an additional study. On page 71 you state that two studies will be selected from one of the following three: (*a*) passenger cost finding; (*b*) merger principles; (*c*) adequacy of service. I want to point out in connection with studies, that with rare exception, I do not believe they should be contracted out. I think the Board should have the in-house expertise to evaluate major problem areas and not have to rely on outside consultants. However, even assuming there is a need for such studies, I am completely unable to fathom why the Board states that it will select two out of three. If you need only two, you should request two; if you need three, you should request three.

We agree that the Board should have in-house expertise wherever possible, and not have to rely on outside consultants. With the recent acquisition of a highly competent planning staff, even though small; this becomes more practical. It will also become much more feasible if additional personnel are approved as requested for other bureaus of the Board; although the number of man-years to be assigned to Planning Office projects will be small, this should enable us to assign a far greater number of individuals within the Board with more specialized abilities. In addition, the acquisition by the Board of an electronic data processing capability has filled one of the major previous deficiencies of the Board requiring outside expert services.

The Board is therefore not appealing the elimination of contract funds and will attempt studies within its own capabilities.

On page 72, in further connection with the proposed study of merger principles, section 102 of the act gives the Board general authority in this field. Section 408 of the act provides some very specific standards and guidelines for the Board to follow in connection with merger applications. Why does the Board have to conduct a study as to which principles should be applied in deciding merger cases? Is the Board of the view that the statute is not clear?

The Board believes the statute and the decided cases are clear. Section 408 of the act lays down certain guidelines. These include "the public interest," and "monopoly or monopolies and thereby restrain competition." These standards are subject to considerable interpretation when related to the facts developed in a particular case.

Since it is important to achieve finality in a case such as this because of employee morale, stockholders' interests, etc., the record might not include such important factors as the impact of the merged airline on fare levels, service levels, ability of competing carriers to provide effective competition or to merge defensively, etc. It was thought a broad policy study would delve into all essential matters on an objective basis not subject to narrower issues or time limits because of procedural deadlines thus insuring that the record in any merger case is fully developed to permit a decision with assurance that all public interest factors are considered.

PEAKING

As you of course know, this committee has on a number of occasions expressed deep concern in connection with the matter of the peaking of aircraft operations during certain hours of the day. These operations generally peak during those hours just prior to or following normal working hours. That peaking occurs during these hours is understandable—these hours are the most convenient.

This situation presents problems which I think we should focus attention on and make every effort to resolve. It affects the users of the airways, the public, and the Government.

1. The public too frequently is inconvenienced to find scheduled departures substantially delayed because of air traffic control delays resulting from traffic congestion.

2. Such delays prove extremely costly to the airlines as well as to private aircraft users and amounts to many millions of dollars per year. Such costs to the airlines must be borne, at least in part, by the passengers in terms of higher fares.

3. The Government, in particular, the Federal Aviation Agency, must incur expenses in staffing air control facilities to meet the relatively short periods of peak use.

4. The local communities and the Federal Government (in connection with the aid-to-airports program) must bear additional expenses in terms of passenger facilities to accommodate efficient passenger movement.

5. The noise problem is certainly not alleviated by peaking.

Question. With particular reference to the airlines, I am not unmindful that competition forces carriers to schedule during these peak periods. However, for the reasons outlined above, it does seem to me that every effort should be made to alleviate this situation.

Is there any answer which would not result in Government interfering in management prerogatives. That is, I do not think the Board should dictate schedules, equipment, etc. For example, would the Board look with sympathy on fare adjustments which would reflect the added costs of providing service during these peak periods—at the same time savings, in terms of fare reductions, might be passed on to the passengers who did not travel during the peak periods. Perhaps a surcharge, something analogous to the difference between matinee and evening theater prices might be a possibility. What are your thoughts on the subject?

The Board and the air carrier industry have for many years recognized that the economic impact of traffic peaks and valleys can be mitigated in some measure by differential pricing techniques. So-called night or offpeak coach fares have often been employed in markets at a time of the day when operations would be uneconomical at regular fares so as to make use of facilities and personnel which would otherwise be idle. These offpeak special rates and fares have also been used to develop traffic in off seasons of the year and days of the week when traffic is lighter than average. In airfreight transportation, the carriers have developed reduced directional rates to combat imbalances in traffic flows and reduced rates for deferred service to afford the carriers greater flexibility in moving traffic over a series of flights.

We cannot recall any air carrier proposing the exact type of price structure suggested for the onpeak versus offpeak daytime hours of travel. In principle and objective it would appear consistent with earlier policies and practices in this regard. Neither can we say that such price structure appears on its face to be unlawful.

Schedule peaking was the subject of an informal investigation by the Board several years ago. At that time the carriers were queried as to their scheduling practice. The carriers responded that the major factor in peaking is the market demand, and that concentration of express schedules occurs in noncompetitive

as well as competitive markets. Special surveys conducted by the airlines solicit passenger views on scheduling, and an attempt is made to conform to the passenger's desires. Analysis of schedules in high-density markets at that time revealed that while express schedules were concentrated at peak hours, presumably due to the demand, there were a reasonable number of flights, usually not nonstop, available throughout the day. A spot review of current schedules reflects no substantial change in the carrier's scheduling practices.

The peaking problem will certainly be one of the i...portant considerations in our study of elasticity of demand for passenger services referred to in connection with an earlier question.

ECONOMIC ENFORCEMENT

1. On page 36—using a straight ratio, it would seem that you need 37 rather than 39 permanent positions—in other words, no increase appears necessary (rather than the estimated increase of 2).

HEARING ACTIVITIES

I have no problem whatsoever in this area. I believe the hearing examiners have performed very well. I might mention, however, that under Reorganization Plan No. 3, hearing examiners will have a great deal more responsibility, and I know that they will execute this added responsibility faithfully.

ACCOUNTING REGULATIONS AND AUDITS—STATISTICAL AND RESEARCH

I have no questions with respect to these divisions, and I have no objection to the additional personnel which they have requested.

PAYMENTS TO AIR CARRIERS

Mr. MURPHY. Would you like me to summarize our view on the payments to the air carriers?

Senator MAGNUSON. I was going to ask you if there were any further questions on the salary and expense item.

Senator ALLOTT. Just one question.

REORGANIZATION PLAN NO. 3

You are undergoing a reorganization now?

Mr. MURPHY. We have Reorganization Plan No. 3 available to us, Senator, for such use as we may see fit to make of it. There was a reorganization of the Board, the staff of the Board, and so forth, a year ago, just before I went over to the Board. We have not had any reorganization since that time.

REDUCING BACKLOG

Senator ALLOTT. How is that working out as far as accomplishing anything, or catching up on your backlog is concerned?

Mr. MURPHY. From everything I can see, it is working out very well. We have made a dent in the backlog. I have heard no serious criticism of justice delayed as far as the Civil Aeronautics Board is concerned.

Senator ALLOTT. I want to ask you this one question and if I am traversing ground that has been gone over, please say so. Have you put in the record any general report as to your carrier hearings and the status of these hearings?

Senator MAGNUSON. They are in these questions I submitted in detail.

Senator ALLOTT. All right. Then I will defer any further questions, Mr. Chairman.

STATUS OF LIAISON BETWEEN CAB AND FAA

Senator MAGNUSON. I want to ask one further question. You probably are going to answer it generally.

What is the status of the liaison between the Civil Aeronautics Board and the Federal Aviation Agency on accidents? I am talking about both small craft and large craft, fatal and nonfatal, or near misses. What is the status? There is a constant controversy over this.

As you know, Mr. Vice Chairman, we tried to get at it 2 or 3 years ago and 4 or 5 years ago, and I feel there still seems to be some question as to just how to operate. I know there is no reflection on the people involved.

Mr. MURPHY. Senator, first of all, I think a good starting point in trying to summarize on this is the statute itself. It is the intent of Congress itself in the statute that the Civil Aeronautics Board and to the Civil Aeronautics Board alone there be entrusted the responsibility for determining the probable cause of accidents.

At the time that that legislation was adopted, as Senator Monroney and you can well recall, there were many advocates who wanted the entire accident investigation function lodged in the Federal Aviation Agency, with the Board to act in a quasi-judicial capacity only in making a determination of probable cause. But, because of the possible conflict of interest which would arise in connection with the Federal Aviation Agency's discharge of this responsibility where FAA has the responsibility for maintaining the airways and maintaining the air traffic control towers, and promulgating air safety rules, and certificating the aircraft, and certificating the crews, and so forth, the Congress said:

> No, the accident investigation function will be retained in the Civil Aeronautics Board and the finding of probable cause responsibility will be retained in the Civil Aeronautics Board, but those two agencies should cooperate. You should cooperate in the conduct of your investigation in the field.

AVAILABILITY OF TRAINED FAA PERSONNEL

In other words, the scientific personnel, the trained personnel of the Federal Aviation Agency, is available to the Civil Aeronautics Board for the search of the wreckage, the area, for reconstruction of the aircraft, and making special studies, and so forth, but the Congress intended that the Board ought to be in charge of the investigation and to reserve its independence, if you will, so it can always call the tune on the finding of probable cause of an accident.

We have worked it out very well. Since I have been over there I have never seen or heard of any acrimony between the two agencies, and I have been out in the field on at least one accident shortly after it happened, and so forth, and I haven't seen any great or serious problems there, at the moment. I think at times, as we drift away from the days of 1958 when the statute was enacted, a lot of us forget maybe what the intent was, and how we are supposed to act. Maybe we forget at the Board and maybe they forget over at the FAA, but probably we should sit down once in a while and go over these things.

DISPATCHING OF PERSONNEL TO ACCIDENTS

Senator MAGNUSON. Take the accident that happened last night. You have probably dispatched your people there already, have you not?

Mr. TANGUAY. Yes, sir.

Senator MAGNUSON. Do the FAA dispatch a group there too?

Mr. TANGUAY. Yes, sir. They are dispatching people.

Senator MAGNUSON. So you have two groups looking at the thing that happened last night?

Mr. TANGUAY. Yes, sir.

CONTROL OF ACCIDENT INVESTIGATIONS

Senator MAGNUSON. Well, who is the boss?

Mr. TANGUAY. The Civil Aeronautics Board is the boss. We control the investigation. They work on our groups.

Senator MAGNUSON. And you have the opportunity to call in such expertise as they may have in a particular thing, but they, the Federal Aviation Agency, just come in there to make themselves available to you?

Mr. TANGUAY. Yes, sir. And they work on our teams, on our various group teams.

Senator MAGNUSON. And so far as you know, that has been working out fine?

Mr. TANGUAY. Very good.

Senator MAGNUSON. Recently?

Mr. TANGUAY. Yes, sir.

Senator ALLOTT. Could I interject here?

Senator MAGNUSON. Yes.

Senator ALLOTT. Does this lead to conflicts, or is this a smooth operation? I think that is what we want to know.

Mr. MURPHY. I will answer it, and Mr. Tanguay can make his views known to you too, Senator. Whatever you wish.

Speaking from my own knowledge, personally, since I have been there I think it is working out very well. It is working smoothly and cooperatively, but we must always remember that the Civil Aeronautics Board must maintain, what shall we say—sort of a wall of separation—a polite, respectful aloofness, because of the responsibility that Congress has given us for making the independent judgment as to the probably cause. If, in a given accident, the probably cause lies over in the field of the FAA activities, we always have to be in the position of saying so. It does not mean we cannot work like brothers, and we have as Federal Government employees.

ISSUANCE OF STATEMENTS TO NEWSPAPERS ON ACCIDENTS

Senator MAGNUSON. For example, in the Tennessee case, who issues the statements to the newspapers? The Civil Aeronautics Board, or the Federal Aviation Agency, or both? Naturally the press are going to ask you what do you think cause this.

Mr. TANGUAY. We will not be able to tell them what caused it today, that's for sure. But if the newspapers ask us for the facts we know about, we tell them right then and there.

Senator MAGNUSON. Then do they ask the FAA people?

Mr. TANGUAY. Yes, sir. They probably ask them.

Senator MAGNUSON. Supposing they say something different?

Mr. TANGUAY. Usually the group of people that work with us don't say anything different.

Senator MAGNUSON. I do not mean different. It is not the right term. Supposing the FAA fellow thinks it might have been something else, honestly. He honestly thought it was something else.

Mr. TANGUAY. The group of fellows that work on it in our echelon, the senior specialists like we are, work in teams. Each team is headed by the Board group leader, and there is an investigator in charge for the Board, and they get together and decide what to say. If we get people from higher up, topside, we do not have control on that.

FAA DISPATCHING OF PERSONNEL TO ACCIDENTS

Senator ELLENDER. How does the FAA know how many people to send? Who directs that?

Mr. TANGUAY. Who directs the assignment?

Senator ELLENDER. The number of people to be sent. Let us take the accident last night.

Mr. TANGUAY. They have a unit here in Washington.

Senator ELLENDER. Do they consult you before they send anybody up there?

Mr. TANGUAY. No, sir. They usually send them out right away when they hear about an accident, but tell us about it later.

Senator ELLENDER. Aren't you likely to send people who do the same work?

Mr. TANGUAY. Well, sir, we certainly do send people who do the same work, but it is our responsibility to find out what is happening and what happened. The FAA people send specialists along those lines, so if there is anything wrong they can immediately advise the Administrator, so corrective action can be taken right then and there.

Senator ELLENDER. You mean the FAA.

Mr. TANGUAY. Yes, sir.

Senator ELLENDER. Advises the Board?

Mr. TANGUAY. No, no. The FAA checks material there at the scene—the Coordinator. If our people, along with their people find something wrong, then the FAA Coordinator tells the Administrator something is wrong, and corrective action should be taken. That is really the purpose for the FAA being there more than anything else.

JURISDICTION OF FAA IN DECIDING CAUSE OF ACCIDENT

Senator ELLENDER. What jurisdiction has the FAA in deciding any of the matters involved?

Mr. TANGUAY. Deciding the cause of an accident?

Senator ELLENDER. Yes.

Mr. TANGUAY. None.

Senator ELLENDER. You have?

Mr. TANGUAY. Yes.

Senator ELLENDER. Exclusively?

Mr. TANGUAY. Yes.

Senator ELLENDER. But they have to gather the facts?
Mr. TANGUAY. Yes, sir.
Senator MAGNUSON. They help.
Senator ELLENDER. If you did not have those people to help you in gathering facts it would probably mean you would have to increase the size of your agency in order to be able to continue.
Mr. TANGUAY. Very much so.
Senator MAGNUSON. But there is no official finding on the cause of the accident until you, the Board, release it.
Mr. TANGUAY. That is right.
Senator MAGNUSON. That is the way it should be.
Mr. MURPHY. If I may, that is the way Congress stated it should be.
Senator ELLENDER. How long have you been with the Board?
Mr. TANGUAY. I have been with the Board since April 1943.

COMMENDATION OF BOARD'S WORK

Senator MAGNUSON. He has been down there a long time.
Senator ELLENDER. I have seen him many times.
Senator MONRONEY. The Board performs its duties very well. They may be cautious, and this caution sometimes delays the reports, but each major airplane wreck is a combination of many factors. Certainly they maintain their standards and are not being pressured into quick findings just to get the reports out. I think it is to their great credit. The technicians they have are competent, and they also use competent technicians, without reimbursement, from the FAA, who are specialists in airframe construction, and specialists in air traffic control. So we get all of that, but it still has to meet the final test of accuracy and logic when it filters through the CAB examiners, who are also specialists in that field, but not in the numbers required for a major accident investigation.

RECOMMENDATIONS TO FAA

Senator MAGNUSON. If they find officially that something there was wrong that caused the accident that would require some action by the FAA in tightening up safety regulations, or things of that kind, then you would recommend to the FAA that procedure? That is, the Board would recommend it?
Mr. TANGUAY. Yes, sir. We would make a verbal recommendation, and follow it through with a letter.
Senator MAGNUSON. And they may or may not put it into effect. They review that.
Mr. TANGUAY. That is right.
Senator MAGNUSON. But would it be true to say when you have found something that required a tightening up or change in regulations, they have followed the recommendation of the Board?
Mr. TANGUAY. I would say the greatest percentage of time they have followed the recommendations of the Board. At other times they have made further studies and it has balanced itself off.
Senator MAGNUSON. Yes. Sometimes they have even gone further than the Board suggested.
Mr. TANGUAY. Yes.

DIVISION OF RESPONSIBILITY

Senator ELLENDER. Suppose you make an investigation jointly with the FAA.

Mr. TANGUAY. They are not joint.

Senator ELLENDER. You work together, don't you?

Mr. TANGUAY. Yes, but we cannot consider it a joint investigation. One agency is responsible.

Senator ELLENDER. You make it more complicated. If you make certain recommendations as to an accident, as to what ought to be done, you transfer that to the Administrator of the FAA?

Mr. TANGUAY. Yes, sir.

Senator ELLENDER. If he does not put it through, you don't have to?

Mr. TANGUAY. That is right.

Senator ELLENDER. I mean, he does not have to put those recommendations through. He can make further investigations and come to his own conclusions.

Mr. TANGUAY. Right.

Senator ELLENDER. You do not go into that extra examination.

Mr. TANGUAY. If he does not go through with what our recommendation was and we feel he should, then we will go back to him again and tell him more in detail why we think he should make it, but if he decides against it, that is his responsibility.

Senator ELLENDER. Who has the final word on that?

Mr. TANGUAY. The FAA on the corrective action.

Mr. MURPHY. You see, the Federal Aviation Agency has the complete jurisdiction in the executive field, and the safety rulemaking field.

Senator ELLENDER. You are somewhat of an adviser. That is all you are.

Senator MAGNUSON. Yes.

Mr. MURPHY. I would say we are a proponent of safety improvement.

Senator ELLENDER. Yes. Thank you.

PAYMENT TO AIR CARRIERS

Senator MAGNUSON. All right. Are there any further questions on this "Salaries and expenses"? Now, on the question of "Payment to air carriers." For the record, the 1962 appropriation was $78,250,000. The budget estimates for 1963 were $84,578,000. The House recommended $71,900,000, or minus $6,350,000 over fiscal 1962 and minus $12,678,000 over the present budget amount. Would you direct yourself to that, Mr. Chairman?

APPROPRIATIONS REQUEST

Mr. MURPHY. Yes, sir. As you have noted, Senator, we requested $84,578,000, and the House bill provides $71,900,000, or a cut of $12,678,000.

The House bill also limits the amount available for subsidy for helicopter services in fiscal year 1963 to $4,975,000. We asked for $5,850,000 for that purpose. Hence, there has been a reduction of $875,000 for that particular item.

RESTORATION REQUESTED

We have reviewed our subsidy forecost and have determined that our prior estimate, prepared last year, could be adjusted downward by $1,500,000. We ask, therefore, that this bill be amended to restore the appropriation to $83,078,000. This is an increase of $11,178,000 over the House allowance, but a decrease of $1,500,000 below the budget estimate.

ASSURANCE AGAINST CURTAILMENT OF NEEDED SERVICES

It is interesting to note that during the consideration of the bill on the floor of the House assurance was given that needed services to small communities were not intended to be curtailed. The Board, however, sincerely believes that a sudden subsidy cut of $12 million can only result in a reduction of the present quantity and quality of local air service to the small communities.

SUBSIDY REDUCTION PROGRAM

I would like to emphasize that the Board is in full accord with the objective of reducing subsidy. We are taking steps to bring this about, but our program is not a crash program since we have to comply with all the requirements of due process of law in implementing our use-it-or-lose-it policy, or the regional airport program that Senator Kuchel was interested in. We have to follow the procedures of the Administrative Procedure Act.

The reequipment cycle, whereby more modern aircraft is being integrated into the fleets of the local service carrier, is well advanced, but the realization of substantial benefits from all of these factors designed to reduce subsidy is still a few years away and will be gradual rather than sudden.

Moreover, our staff is working on a top-priority basis in accordance with the recommendation contained in the President's transportation message, on a report to be submitted to the President before June 30, 1963, for a comprehensive program aimed at gradual, but significant, subsidy reduction on a scheduled basis. We are receiving industry cooperation through the Association of Local Transport Airlines, and a committee of industry officials is cooperating with our staff in this endeavor.

PRESIDENT'S TRANSPORTATION MESSAGE AND REDUCTION OF SUBSIDY

Senator MAGNUSON. Right there, the President in his transportation message submitted June 30, detailed a program for future annual reduction of subsidy payments to airlines, and then I understand that ALTA offered the independents cooperation to the CAB by telegram on April 26, recommending a joint committee.

Mr. MURPHY. That is correct.

Senator MAGNUSON. And Mr. Boyd, the Chairman of your Commission, answered the letter and you sent it up to the committee.

Mr. MURPHY. That is correct, Senator. It has been organized.

SUBSIDY TO LOCAL SERVICE CARRIERS

Senator MONRONEY. Are you through, Mr. Chairman? Do you have some more questions?

Senator MAGNUSON. Are you through with that?

Mr. MURPHY. I was going to discuss the helicopter subsidy question.

Senator MAGNUSON. Before you do that, could I ask one question?

Senator MONRONEY. Yes.

Senator MAGNUSON. I will read this so we are clear what it is about. With respect to subsidy to local service carriers, does this not involve a contractual obligation between the Government and the particular carriers involved? In other words, if Congress failed to appropriate the amount of money which you have requested in your budget, and assuming that such amount is necessary to fulfill your contractual obligations, would the carriers have the legal right to collect the difference from the General Treasury receipts?

Mr. MURPHY. Senator, that is a very good question. I am glad I have my General Counsel with me. I think there is such an obligation, but what the ramifications of it are, I do not know. Mr. Wanner could speak to that.

Mr. WANNER. We have always so considered it.

Senator MAGNUSON. You considered that would be the legal status of this. Now go ahead, Senator.

DEVELOPMENT OF LOWER COST PLANE FOR LOCAL SERVICE AIRLINES

Senator MONRONEY. Have you been able to make any progress on the efforts, to get a lower cost plane, with lower operational costs to serve within the reach of the service points of some of these local airlines?

Mr. MURPHY. I believe a few months ago in a speech to the American Society of Automotive Engineers, our Chairman projected what I think he called an economic profile of a desired local service aircraft, Senator. This I believe was as a result of some studies made by our Planning Office. Of course, we are not in the technical field, but from an economic point of view our planners are certainly interested in this, and have come up with this so-called economic profile of what the aircraft should be and how many passengers it should be able to carry, and how much cargo, and the length of the stage hops, the per-mile cost and direct operating cost, and so forth. But to go beyond that we have neither the funds nor the staff to do anything in the way of——

Senator MAGNUSON. You have a planning staff.

PROTOTYPE PLANE

Mr. MURPHY. Yes. But I mean, in the technical field of promoting the development of a prototype, Senator, or something of that sort.

Senator MONRONEY. The aircraft would have to be either designed by an airframe company, or sponsored by the Federal Aviation Agency. You can tell what the economics of the picture are and insist that it be a plane that would be more suitable for modern-day transportation than the DC–3. One of the causes, I feel, of the high subsidy cost, and the inability to get it down is the fact that 250 of the

present fleet are DC–3's and the cost of operation and maintenance is very high. Yet no American plane designer has come up with a plane which would have a suitable use and still be of the low-cost operation type.

Mr. MURPHY. That is very true, and we are very mindful of that. I believe since the time of this speech of Mr. Boyd and the work of our Planning Office, we have received a number of brochures and requests for conferences from various aircraft manufacturers who are interested in submitting designs, and plans, for an ideal local service aircraft.

DIFFERENCE IN NEEDS

Of course, in talking to the actual operators you will find there is a difference in their needs for aircraft, depending on their route structure and the place in the country they may be serving; whether they are flying over mountains, or flat terrain, or bush operations in Alaska, and so forth. Maybe there is no one airplane like the DC–3 that seemed to answer all of these problems.

ASSOCIATION OF LOCAL TRANSPORT AIRLINES

Senator MONRONEY. At this point I would like to state the ALTA organization, the Association of Local Transport Airlines, appointed a committee, and are also trying to get the idealized local service airplane. I would like to put into the record at this point a letter from them of June 7 as to their progress in this field. They do not report much progress yet.

(The letter referred to follows:)

ASSOCIATION OF LOCAL TRANSPORT AIRLINES,
Washington, D.C., June 7, 1962.

Hon. A. S. MIKE MONRONEY,
Chairman, Senate Aviation Subcommittee, Senate Commerce Committee, New Senate Office Building, Washington, D.C.

DEAR SENATOR MONRONEY: This letter concerns the development and use of small aircraft economically adaptable for service to communities now threatened with loss of scheduled airline service resulting from rigid application of the Civil Aeronautics Board's present use-it-or-lose-it criterion.

As evidence of our real concern and interest in this subject, the Association of Local Transport Airlines, at its quarterly meeting in Atlanta, Ga., last April, unanimously determined to study this matter and to formulate specific recommendations on all pertinent aspects of this most complex and vital subject. A copy of this resolution is enclosed.

As many have previously concluded, it is evident that an aircraft capable of meeting the objective is not available today. Nor does it appear that such an aircraft is being actively or earnestly planned or developed by any major domestic aircraft manufacturer. Moreover, it must appear, at least initially, that some major breakthrough in aircraft design concept is required if direct operating costs are to be kept within limits of the objective.

Use of the Boundary Layer Control (BLC) principle appears to be the most fruitful area for exploration and development. It is appreciated that BLC is a highly complex and controversial concept; yet it appears to be the only avenue holding promise of a major breakthrough in aircraft design and lower direct operating costs.

A set of performance and specification summaries for a standard 15 to 18 passenger configuration is now being prepared. These specifications will be based upon the BLC principle. We intend to work closely with the Federal Aviation Administration to this end.

Obviously, developmental funds will be required to develop an aircraft type envisaged for the use suggested here and in other places. Whether the necessary funds should be provided by the manufacturers, the military, one or more

Government agencies, or a combination, is of little moment here. But, provision of funds to develop prototypes of the aircraft suggested by the above-mentioned summaries is urged.

Should developmental funds be made available and as a result of their application prototypes of the aircraft described be produced, then it is further suggested that one or more be assigned to a local service airline east of the Mississippi, a local airline west of the Mississippi, and an Alaskan airline. They would be used in scheduled service preparatory to their being manufactured in volume. The names of the airlines willing to be so committed will be supplied at your request, although as a practical matter, final selection should be made at a lated date.

Development of a short-haul aircraft is alone not enough. If the aircraft is to be given a fair chance, major changes in concepts and practices relating to other significant cost areas are also required.

Ground and indirect costs particularly must show improvement similar to that sought in the airplane. Recent technological advances, particularly in the field of communications, make reductions in certain important cost categories a reality. But, maximum economy requires the full cooperation by communities—particularly in the area of rentals, landing fees and services. ALTA's committee will undertake to do this.

Labor unions, representing both air and ground personnel, must be realistic in their demands. This particularly refers to application of scope rules, wage demands, and so-called working rules. ALTA's committee will develop the objectives sought in this area and will confer with representative groups where it is appropriate to do so.

Both FAA and CAB regulatory provisions and concepts must be realined to conform to a practical mixture of safety, economy, and uniformity predicated on aircraft types as opposed to class of operator. We anticipate the full cooperation of both the FAA and CAB in this area.

It would most certainly be inaccurate to represent that the members of ALTA, consisting of Alaskan, Hawaiian, and local service airlines, are at this time in complete accord with the views and suggestions expressed here. Indeed, they are not; but a significant majority are. Without exception, however, we are all deeply concerned with the problem you have so ably brought into sharp focus on numerous occasions over the past several months.

Time has not permitted other than preliminary study of both the potential and the problems inherent in this subject. But, a preliminary analysis indicates that, assuming the development of an aircraft generally meeting specifications tentatively set forth here, then all related problem areas lend themselves to a satisfactory solution with the cooperation of the FAA, the CAB, personnel groups, and the communities served.

ALTA's committee will be undertaking detailed study of all pertinent areas very soon after the middle of this year. We anticipate completing all phases of the study before the yearend. The full report, together with our recommendations, should be in your hands by not later than December 31 of this year.

On behalf of our segment of the industry, please be assured of our appreciation for your continued interest and support of the concept we represent.

Respectfully yours,

LESLIE O. BARNES,
Chairman, ALTA Low Cost Plane Design Committee.

[Enclosure A]

ALTA POLICY STATEMENT, APRIL 27, 1962[1]

The problem of continued scheduled airline service to smaller intermediate cities over relatively low density routes has been ably noted by Senator A. S. Mike Monroney, chairman, Aviation Subcommittee, Senate Commerce Committee, Congressman John Bell Williams, chairman, Subcommittee on Transportation and Aeronautics, House Interstate and Foreign Commerce Committee, and other congressional aviation leaders. Continued service to such cities is at issue as is an expansion of scheduled airline services to other deserving cities not now being served. In this regard, the construction of a new, more economic short-haul aircraft has been advocated in order to provide continued and ex-

[1] Adopted, ALTA spring regional meeting, Atlanta, Ga.

panded service to such affected communities at a minimum cost and at a minimum level of Federal support.

The members of ALTA have carefully considered this problem and have concluded that full exploration of this matter should be made by the industry, and ALTA will work cooperatively on this problem with all interested parties in the Congress, the CAB, and the FAA.

We anticipate, however, that in order to meet this objective, the following matters must be reviewed among others:

(1) The sound economic development of an aircraft adaptable to low density routes and the small volume of commercial use anticipated at the smaller cities.

(2) Adaptation of civil air regulations now applicable to nonairline operators to airline operation of such aircraft by presently certificated scheduled carriers.

(3) Promulgation of Civil Aeronautics Board rules and regulations adapted to the type of operation here contemplated.

The question is an intricate one and vital to the public interest. To the end that all influencing factors may be brought together and considered by the Congress, the Civil Aeronautics Board, the Federal Aviation Agency, and the industry in the development of an effective and equitable plan, we have formed a committee of ALTA under the chairmanship of Leslie O. Barnes. This committee is directed to expedite its review and study, to confer with appropriate congressional leaders and pertinent Government agencies and to contact the aircraft manufacturers, and to draw upon such resources of its members as may be necessary to complete its study and report at the earliest possible date.

SUGGESTIONS FOR TYPE OF PLANE

Mr. MURPHY. I want to assure you and other members of the committee, Senator, that we will be very happy to have your views and guidance and suggestions as to what more we may and should do in this field.

Senator MONRONEY. A low-cost operational plane would be the final answer to our subsidy cost, would it not? Under present technical limitations with FAA equipment it is almost impossible to do away with subsidy or to reduce it, unless we have more modern and efficient planes.

Mr. MURPHY. That is right. There is no question it is a very, very important factor in the overall picture.

Senator MAGNUSON. Senator Monroney, you and I got the figure the other day. How many DC–3's are there in operation?

Senator MONRONEY. Worldwide there are about 1,500 but here there are about 250. We have still to come up with the kind of plane that will cut operating costs.

Senator MAGNUSON. Which would make it financially feasible for one company to find the right plane, if they have a potential of 250 orders.

FINANCIAL OBLIGATION OF FEDERAL GOVERNMENT

Senator MONRONEY. In line with the chairman's question, if we do not appropriate the amount the Board considers necessary, which would be $1,500,000 under the budget request, but leaving about $83 million, then your testimony is we will still owe this money because we have not stopped the lines from operating into these local points under the "use it or lose it" policy and, therefore, would have to pick up whatever we are short in a supplemental bill at some point later on.

NOTICE AND HEARING BEFORE ELIMINATION OF SERVICE

Mr. MURPHY. That is correct, Senator Monroney. I suppose the only other thing one could do would be to bring some moral suasion of some sort on the local service operators to cut back their service. In other words, to try to live within the subsidy ceiling. But we have no statutory authority to do that, you see.

Senator MONRONEY. You cannot abandon a service point without going through a Board hearing, and a decision is made to discontinue it.

Mr. MURPHY. That is right.

Senator MONRONEY. Therefore, you cannot limit their schedules, and experience shows the fewer the schedules the greater the losses, particularly under the revenue points. If you cut from three schedules a day to one, people will not use even one schedule because it is not adaptable to the traveling needs. Therefore you must either cut off unprofitable points or continue them in the subsidy picture and try to find new equipment or management techniques as best you can to lower the sudsidy.

Mr. MURPHY. That is true.

SUBSIDY PLATEAU

Senator MAGNUSON. We were given to understand when the Senator from Oklahoma and I obtained the passage of a bill allowing permanent certificates and the guarantee of loans, that as they moved along they would reach a plateau on this and then finally go down. They predicted maybe this year they would be less, but apparently the subsidy is more. Would that be because in the meantime they have been required to serve more cities?

Mr. MURPHY. That would be one very, very important reason, Senator.

Senator MAGNUSON. They were basing their prediction on their service at that time.

SUBSIDY REDUCTION

Mr. MURPHY. At that time. Although I think, if my recollection is correct, that the Board chairman, Mr. Boyd, said last year in the hearing on the House side that the subsidy payment would rise in fiscal 1963, the year to which we are now addressing ourselves, and the decline or plateau would start showing up in 1964, a modest decline, and a trend then very definitely down from there.

Senator MAGNUSON. But in line with the Senator from Oklahoma's questions, unless we come up with an economical airframe as a substitute for the DC–3's—that type of airframe—maybe they will not be able to come down.

Mr. MURPHY. I think that is a very, very important ingredient and factor in the overall subsidy picture.

IMPROVEMENT IN LOCAL SERVICE PROFIT MARGINS

Senator MAGNUSON. Here is one airline, I noticed in this morning's paper, Allegheny, which is doing much better. Their profit margin reflected a 15-percent increase in operating revenues, while their

operating expenses in 6 months rose only 5.7 percent. This is the sort of performance that will start getting these down. I think maybe I might put this in the record. It shows what one airline has been doing, and maybe others might be up too.

(The newspaper article referred to follows:)

[From the Washington Post, Aug. 7, 1962]

Capital commerce

ALLEGHENY AIRLINES PROFITS SET RECORD

(By Frank C. Porter)

Allegheny Airlines posted its best second quarter profit in its 13-year history, President Leslie O. Barnes reported yesterday.

The Washington-based carrier earned $457,963 or 53 cents a share during the 3 months ended June 30 after providing $311,000 for taxes. This compares with the previous second quarter record, $347,881 or 48 cents a share, earned last year when no tax provision was made.

Barnes said the "favorable profit trend is expected to continue through the third quarter with the trend leveling somewhat during the last quarter."

A seasonal loss in the first quarter reduced net income in the first half of the year to $346,944 or 40 cents a year, a record nonetheless. In the first 6 months of 1961, Allegheny suffered a deficit of $223,832.

For 12 months ended June 30, the carrier earned $701,764 or 81 cents a share.

The number of passengers carried rose 19 percent to a record 463,263 in the 6 months. Cargo, up 42 percent to 994,739 ton-miles, also set a record.

Strengthened profit margins reflected a 15 percent increase in operating revenues to $11,127,626 while operating expenses in the 6 months rose only 5.7 percent to $10,532,076.

FRONTIER AIRLINES AND WEST COAST LINES

Senator ALLOTT. Might I say out of a matter of local pride that the experience of Frontier Airlines is decidedly brighter than last year. Isn't that true?

Mr. MURPHY. Yes, I believe that is true.

Senator MAGNUSON. And West Coast is, too, because there is a little thing going on out there that has helped them a little bit. But other than that it is all right.

Mr. MURPHY. It is hard to get a seat out there. West Coast Airlines is very happy with the F–27's they have. For their routes and the type of terrain they serve it seems to be fitting in pretty well.

Senator MAGNUSON. In connection with our discussion at this time I would like to place in the record a letter received from Senator Hubert Humphrey dated August 4 supporting the restoration of funds in this item.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
August 4, 1962.

Senator WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Over the years, the Civil Aeronautics Board has seen fit to encourage local air transportation to the smaller communities in my State and other States throughout the country. This encouragement has been pursuant to the Civil Aeronautics Act of 1938 and the recently passed Federal Aviation Act of 1958. Subsidies have been regularly paid for the benefit of these smaller communities.

As you know, the Civil Aeronautics Board beginning in 1944 certificated a new class of carrier, the local service carrier, in order that this type of operation could be performed by specialists. Congress has seen fit to permanentize these certificates which the Civil Aeronautics Board granted. Each year, pursuant to the applicable legislation, Congress has appropriated subsidy for this service. The Civil Aeronautics Board has administered this subsidy, apportioning it as required by the needs of the local service carriers.

This year the House reduced the budget request of $84,578,000 to $71,900,000, approximately a 15-percent reduction. This large reduction cannot be absorbed from the local carriers' profits. Therefore, this reduction must come from the volume of service that each of these carriers is required to render. If this amount of subsidy is denied the carriers, local service in my State and in other States will have to be curtailed, or possibly terminated to some extent. This matter is of concern to the State of Minnesota which serves as the home base of North Central Airlines, one of the largest of the local service carriers, serving the entire north-central area with 2,000 employees. I earnestly request that your subcommittee restore the funds to the amount as requested in the budget message.

Sincerely yours,

HUBERT H. HUMPHREY.

ACCURACY OF SUBSIDY ESTIMATES

Senator MAGNUSON. The chairman of the House subcommittee, on page 1086 of the hearings, stated there was always considerable guesswork in the amount requested by the Civil Aeronautics Board. For the year 1961, the Civil Aeronautics Board overestimated its needs by around $13 million in this particular item.

On page 1392 of the record, which Senator Allott has here, that is the House record, for July 30, it indicates that the justification for the cut was again based on the fact that in one previous appropriation; namely, 1961, the Civil Aeronautics Board had given it more money than it used. Is that a fair statement?

Mr. MURPHY. I think it is a fair statement, and a very accurate one. I am glad the "chancellor of the exchequer" is here, Mr. Russell, who prepares these estimates.

Senator MAGNUSON. But normally you hit it pretty well on the nose, as I recall it, particularly with the growth in service.

Mr. RUSSELL. That is correct. As I recall it, in the 1961 fiscal year that was the year when we closed out a lot of what we call our past period rates. There were some international carrier rates we closed out in that year. So we had, I will say, on these back rates more of an opportunity to miss how the rate would finally turn out.

Senator MAGNUSON. But you are catching up now?

Mr. RUSSELL. Today we do not have this margin. Today most of our rates are current. We still have a few that are back period, but no substantial sums involved.

Senator MAGNUSON. Is it not true that some of the local carriers do not operate with large reserves, and that prompt payment means a lot to their whole fiscal condition?

Mr. RUSSELL. That is true. Also the locals are under the class rate, but you can see the prospective in its entirety. There is nothing retroactive here with the exception of the profit sharing, and at this

point in time it is still small in size. So there is nothing behind us that can throw our estimates out appreciably. About the only thing that can affect them downward is what is happening from here forward. If we find economies this can be reflected, but we have to find more economies in the carriers' operations.

UNCERTAINTY OF SUPPLEMENTAL APPROPRIATIONS

Senator MAGNUSON. If you had had a lot to pay to local carriers and had to come up for a supplemental last year, the local carriers would have been waiting a long time to get their money, wouldn't they?

Mr. RUSSELL. They would.

Senator MAGNUSON. Yes. I do not like to see this go to supplementals because they are so uncertain, and the Board only pays what it has to pay. If they miss a little bit, there is no harm done one way or the other. That is, if they miss on the over side a little bit, I mean.

EFFECT OF CASH CARRYOVERS ON SUBSEQUENT YEAR APPROPRIATION REQUESTS

Mr. RUSSELL. As we point out in our statements, we will be back to the Congress in about 6 months from now with our 1964 budget. If we have missed, and I do not think that the miss is going to be of any sizable proportions—but if we have missed we can take it into account in connection with our 1964 program.

If we are overstated here by $1 million, in other words, our 1964 request will be reduced by that $1 million. It is a continuing appropriation.

Senator MAGNUSON. What happened to the money you did not need for fiscal 1962?

Mr. RUSSELL. For fiscal 1962 we carried over $471,000. That is a part of the $1½ million we are saying we will reduce this estimate by.

Senator MAGNUSON. Then you apply that to your next estimate?

Mr. RUSSELL. We apply that to payments this year, and are saying now the $1½ million we are giving back or not appealing—a part of the $1½ million is $471,000 we did not spend or did not pay out in 1962.

Senator MAGNUSON. All right. Are there any further questions on that item?

Senator ALLOTT. Then the amount you would want is the $84,578,000 adjusted by that $1,500,000?

Mr. RUSSELL. Yes. That would make it $83,078,000.

ADVERSE EFFECT OF DELAY IN PAYMENT OF SUBSIDY

Senator ALLOTT. I have been reading the testimony of the distinguished chairman of this committee in the House, which appears on page 13982 of the Congressional Record, and he apparently bases his figure on the fact that at one time there was too much appropriated completely, and that this can be taken care of in a supplemental. However, if the supplemental should get bogged down in the first part of next year, as I have a faint recollection one supplemental got bogged down this year, then let's answer this question for the record:

What position would these supplemental air carriers find themselves in?

Mr. RUSSELL. The best way I can answer that, sir, is to say that we still today have local service carriers that are having a hard time meeting their payroll. The fact of the matter is, I have a letter on my desk which came in about 10 days ago from a carrier, requesting if there was not some way that I could make him a payment ahead of time. We do not pay them ahead of time. We will not pay him before the end of the month in which he performs the operations. This we have assured him we will do in this case. We still get these. I would say hardly a month goes by where one or the other of the carriers does not make some request to speed up their payment. They have a banknote coming due, or a payroll to meet. A supplemental in the proportions we are talking about here of $11 million would simply mean roughly 2 months' payment would be withheld at the end of the year until we got the new Appropriation Act to have some cash to make a payment to them.

Mr. ROTH. Can I supplement that answer?

One of the things that happens is a carrier without prompt payment of subsidy, unless it is able to borrow cash from banks on reasonable terms, will forgo various opportunities to economize; for example, to take advantage of cash discounts, or other opportunities to minimize the cost of doing business, which in the long run will help to improve the subsidy situation. But a carrier in healthy financial condition is in better condition to conduct his operation at maximum efficiency than one who has to work with a makeshift type of arrangement to carry him over on a day-to-day and week-to-week basis.

Senator ALLOTT. Of course, it is the personal view of this Senator that your view of this is correct. I think it is the view of the chairman, too, and the view we have taken before. But I wanted to get it on the record as to just exactly what happens when these payments are not made.

In addition to this they have to go and finance themselves as best they can, and then they have the added burden of the cost of money, which in turn reflects itself in increased subsidies.

Mr. ROTH. Yes, sir.

SUBSIDY LIMITATION ON HELICOPTER SERVICES

Senator MAGNUSON. All right. Of the $71,900,000, or whatever amount the committee decides on, there are $4,975,000 for helicopters.

Mr. MURPHY. With respect to helicopter subsidy, I would like to say that the limitation of $6 million which Congress placed in the appropriation last year has been respected and complied with, but only through reduction in operations of the helicopter carriers. The $5,850,000 request for fiscal 1963 will support them only on such a substantially curtailed basis. It is our opinion that they need the amount estimated in our budget if they are to continue at a reasonable level of service. This is particularly important since some of them have recently introduced turbine-powered, twin-engine helicopters which they anticipate will make substantial inroads in reducing direct operating costs and should prove a major factor in ultimately reducing subsidy.

That is all I have to say on that item.

RESTORATION OF REDUCTION IN HELICOPTER LIMITATION

Senator MAGNUSON. Are you suggesting that we add to the amount that the House put in?

Mr. MURPHY. I am suggesting that really we need the $5.85 million.

Senator MAGNUSON. Here is the House language on page 5 of the bill. Let us put this in the record. The House puts $71,900,000 down and then they say:

* * * of which not to exceed $4,975,000 shall be available for subsidy for helicopter operations during the current fiscal year, to remain available until expended.

This, as I recall it, is the same limitation language they had last year.

Mr. MURPHY. Yes.

Senator MONRONEY. That all comes out of the lump sum for the subsidy.

Mr. MURPHY. Yes. It is included in the $83 million.

Senator MAGNUSON. I will ask the question again. Have you any suggestions as to whether we should add to the $4,975,000?

Mr. MURPHY. Yes. We are asking, Senator, that this committee restore the figure to $5,850,000.

Senator MAGNUSON. Which is below last year's figure.

Mr. MURPHY. Which is below last year's figure, but is the figure contained in our budget estimate. That figure is based on curtailed operations which the carriers undertook last year in order to meet the desire of the Congress and the command of the Congress that not more than $6 million be expended for their operations during fiscal year 1962.

NEW HELICOPTERS PUT INTO OPERATION

Senator MAGNUSON. How many of them have done what they said they thought they could do or would try to do since last year in new equipment?

Mr. MURPHY. I believe two of them.

Senator MAGNUSON. Which two?

Mr. MURPHY. New York Airways and Los Angeles Airways.

EFFECT OF NEW EQUIPMENT ON SUBSIDY

Senator MAGNUSON. Has the New York Airways subsidy been really coming down as a result of the new equipment, or going up?

Mr. MURPHY. I am going to ask Mr. Roth to answer that, but it is too early to draw any conclusion, I think. They have just introduced those planes in their fleet.

Mr. ROTH. Yes, sir. They have just come in, and we have to work out a new final rate for the current fiscal year's operation on each of the three carriers. The rate per mile will depend considerably on the volume of operations that the Board permits them to conduct with subsidy.

SUBSIDY COST PER MILE FOR HELICOPTERS

Senator MAGNUSON. I have some figures here. The subsidy per mile for the Chicago operation on the $6 million appropriated—from your consolidated Helicopter Mail Rate Pay Docket—was $2.39 for Chicago, $2.44 for Los Angeles, and $5.87 for New York.

Mr. ROTH. Yes, sir.

Senator MAGNUSON. Then the statistical breakdown of the Civil Aeronautics Board's proposal for break-even needs plus allowance to meet interest payments for the first half of fiscal year 1963, showing the influence of congressional limitation, was $3.36 for Chicago, that is up $1; $2.90 for Los Angeles, that is up about 50 cents; and $6.02 for New York as against $5.87.

Mr. ROTH. Yes, sir. These are all relating to a sharply decreased mileage base.

Senator MAGNUSON. That is due to the limitation of service.

Mr. ROTH. Yes, sir.

Senator MONRONEY. It is a bigger load factor too and you have new equipment.

Mr. ROTH. Ultimately there should be a bigger revenue load. Yes, sir.

Senator MAGNUSON. We also have for the record the financial statements of all three of them. We will keep it in the file, if anybody wants to look at it. I do not want to put it all in the record.

Are there any further questions?

Senator ALLOTT. I have one question, Mr. Chairman.

Senator MAGNUSON. Yes, Senator.

FUTURE SUBSIDY REQUIREMENTS FOR HELICOPTER OPERATIONS

Senator ALLOTT. Last year in the hearing I asked Mr. Boyd about the estimates of subsidy in the future for these three operations. He said:

> I would estimate that for fiscal year 1963, $8 million; for fiscal 1964, $7,200,000, or $7,500,000; for fiscal 1965, $6,900,000; and for fiscal 1966, $5 million.

If this were projected on the same basis as it was then, and not upon the congressional limitation which was enforced upon you last year, would your answer still be about in the same range of figures?

Mr. MURPHY. Senator, I imagine it would be. I imagine it would be because the operations would not have been curtailed.

Senator ALLOTT. In other words, this figure on these three can be expected to go up through 1964 and not decrease at all before fiscal 1965?

Mr. MURPHY. That was the projected estimate at that time.

Senator ALLOTT. I think this was the testimony also of all three carriers, was it not? That provided they got into their turbine equipment they could not foresee a decrease until they got it operating and established.

Mr. MURPHY. Exactly.

Senator MAGNUSON. I think they used the words "they would reach a plateau," a fiscal plateau, at that date you mentioned.

DELAY IN DIMINISHING SUBSIDIES

Senator ALLOTT. May I ask one further question, and this may be important.

Upon the basis of these limitations that Congress placed last year, and which might come into effect this year, is this going to set back further the time when we can or may expect a diminishing of the subsidies on the helicopter services?

Mr. MURPHY. Speaking for myself, I am speaking philosophically, I guess, rather than as an economist—I wouldn't think so.

Senator ALLOTT. You do not think it would change it? It would go up to a plateau and start cutting back in about 1965?

Mr. MURPHY. Mr. Roth may have a different view on that because he lived with this problem in depth.

EFFECT OF LIMITATION ON COMMUNITY SERVICE DEVELOPMENT

Mr. ROTH. The problem, Senator, I think is that there are certain communities that were certificated for helicopter air service by the Civil Aeronautics Board following the regular hearing process. As a result of the appropriation limitation various of these communities have not been able to have helicopter service inaugurated by the particular air carrier. Likewise, in some instances communities which had had service for several years have lost that air service. The carriers and the Board have both received many complaints from Congressmen, Senators, mayors, and chambers of commerce, and so on, about the failure of the certificated services that the Board found required by the public convenience and necessity to be performed because of the current limitations. But I think this is the real problem: That the required services are not being performed; but I could not disagree with Mr. Murphy's statement that it is difficult to say what the ultimate effect on the long-range subsidy trend would be because I think that the Board and carriers would try to see to it year by year that we can achieve a gradual reduction in subsidy, notwithstanding the limitation on the appropriation.

Senator ALLOTT. Thank you.

PERSONNEL RETIREMENTS AND EMPLOYMENT REDUCTION

Senator MAGNUSON. I have one more question. Do not forget the six people that retire next year.

Mr. MURPHY. No, we won't.

REEVALUATION OF LUGGAGE ALLOWANCE FOR MEN AND WOMEN

Senator MAGNUSON. And report back to us with the figures. If we can do it in every agency we will be able to accomplish something. Then one last question. I suggested to the Civil Aeronautics Board on many occasions that they reevaluate the luggage allowance that airlines permit and what they charge for as between men and women.

Mr. MURPHY. Yes. I well remember that.

Senator MAGNUSON. What is gross weight now? Forty or forty two pounds?

Mr. MURPHY. It depends on whether you are traveling tourist or first class.

Senator MAGNUSON. The gross weight of a man or a woman with that allowance is a great deal different. You were going to study the problem, and I have not heard anything about it.

Mr. MURPHY. I raised that subject shortly after I went down to the CAB, because I was mindful of your great interest in this area, Senator. However, we got some very unpopular responses from the air carriers.

Senator MAGNUSON. From the air carriers?

Mr. MURPHY. And I ceased my activity, but I will be very glad to renew it.

Senator MAGNUSON. I will help you with the air carriers, some of whom I know very well. Even if we had to cut down on the other a little, so there would be some kind of equitable arrangement and it would average out when they get aboard.

Mr. MURPHY. I think it would be a noble experiment.

Senator MAGNUSON. We will recess until 2:30 when we will hear the FAA.

(Whereupon, at 12:45 p.m., the hearing was recessed to reconvene at 2:30 p.m. the same day.)

(AFTERNOON SESSION—2:35 P.M., TUESDAY, AUGUST 7, 1962)

(Present: Senators Magnuson, Ellender, Monroney, Young, Saltonstall, Robertson, and Allott.)

Senator MAGNUSON. The committee will come to order.

I apologize for being late.

If the FAA won't mind, we have not heard two doctors from Oklahoma who wanted to testify on the civil defense program under HEW, and they have a specific interest in the research program. They are both here. If the committee will agree, we will hear them briefly. It shouldn't take very long.

STATEMENT OF KIRK T. MOSLEY, COMMISSIONER OF HEALTH, STATE OF OKLAHOMA; AND DR. PETE KYLE McCARTER, VICE PRESIDENT, UNIVERSITY OF OKLAHOMA

PUBLIC HEALTH AND CIVIL DEFENSE

Senator MAGNUSON. You are Dr. Mosley.

We will put your statements in the record in full and maybe one or both of you can tell us about it briefly.

This is Dr. Kirk Mosley, director of the Oklahoma State Health Department, and Dr. Pete Kyle McCarter, vice president of the University of Oklahoma.

Mike, you can introduce your constitutents here.

Senator MONRONEY. Dr. Mosley, as you said, is in charge of our State public health department, one of our most distinguished officers in the United States, and Dr. Pete McCarter is vice president of the University of Oklahoma in charge of research.

We have a very active program for the Public Health Service in relationship to civil defense, and I do appreciate very much the chairman giving them an opportunity to submit their statements and briefly outline them at this time.

Senator MAGNUSON. All right. Go ahead. I will turn the meeting over to the distinguished Senator from Oklahoma.

Senator MONRONEY. You may proceed, Dr. Mosley.

Are you going to lead off?

Dr. MOSLEY. Senator, there are two propositions before us, if we could just have enough time to go through it.

LOCAL MANPOWER AND RESOURCES EMERGENCIES

The immediate proposition is the proposal at the University of Oklahoma to make available to the defense purposes of our Nation a training proposal whereby we can prepare communities to take full advantage of the local medical manpower, local health resources and meet the communities' needs in a time of a national emergency.

This I would like for Dr. McCarter to explain more fully, the capabilities of the University of Oklahoma to do this very thing.

With the Senator's permission, I would like to expand the real necessity and the need for a proposal of this sort, not only for the University of Oklahoma but this does have nationwide importance because unless the local communities have the capability of organizing themselves to meet their needs in time when communications and transportation are disrupted, the fate of the country will be in serious jeopardy.

Senator MAGNUSON. Go right ahead.

Dr. McCarter. Mr. Chairman, the University of Oklahoma proposes to establish what we call a center for civil defense health studies. The idea is that once established this center would become a prototype for such other centers as may be needed over the country. This will operate with the primary purpose of training 10-man teams of specialized and professional people in the community to move in with their special and professional knowledge and take over in case of a nuclear attack or nuclear disaster of some kind.

TRAINING PROGRAM

We think that in 4 years we can train about 300 of these teams. That will give us about 3,000 such people trained in that and also we will in these 4 years have developed a program that will be tested and will be firm and will be refined and it can be turned over to the other universities and colleges to use, especially through their adult education programs.

I do have a prepared statement, Mr. Chairman, which I will be glad to leave with the committee, of course, and I will be glad to answer any questions or develop this basic idea in any way in which the committee is interested.

ATTITUDE OF DEFENSE, CIVIL DEFENSE BRANCH

Senator Monroney. Doctor, I believe you have letters from the Department of Defense, the Office of Civil Defense, and HEW endorsing a pilot plant study of this program which you outlined.

Dr. McCarter. That is true, sir.

Senator Monroney. And they would be happy to have such a program instituted.

Dr. McCarter. Yes.

PERSONNEL FOR PILOT STUDY

Senator Monroney. How many people would it require to get the pilot plant in operation?

Dr. McCarter. Senator, do you mean how many of our own staff?

Senator Monroney. Yes, the question and magnitude.

Dr. McCarter. The budget we have proposed calls for six professional people and three clerical people and provides also for supplements to be brought in from time to time as needed.

Senator Monroney. What do you figure the cost would be?

AMOUNT NEEDED

Dr. McCarter. The proposal for training program, a total of $775,060 to be spent over a 4-year period. That is nearly $194,000 plus, per year.

Senator Monroney. This would give you a chance to bring people in from other States, train them and send them back competent to train others in their States?

Dr. McCarter. Yes. We would start with the local people and after research has been done, experimentation has been worked out, we would start bringing in people.

EXPERIMENTAL EMERGENCY HOSPITAL

The proposal also includes an experimental civil defense emergency hospital and the request is for $600,000 for that purpose and a fund of $50,000 for architectural engineering research on this hospital before any construction of it starts.

Senator MONRONEY. How would this fit in with the hospital program that we now have?

Dr. MCCARTER. Dr. Mosley will have to answer that question.

NEED FOR EMERGENCY TRAINING

Dr. MOSLEY. There is still a tremendous need to train people in the use of the emergency civil defense hospitals. There is also a great need to train people in the concepts of survival and shelter areas. We feel that having a laboratory where you simulate the conditions we might live in is the very best way to teach people. You can do this much better than reading it out of a book.

So not only would the civil emergency hospital be housed, but this also provides space for training various professional people who will also be concerned with our survival programs, not only medical people but the lay folks who would have to be used in many, many capacities and exert capabilities for the survival.

So, it is more of a teaching laboratory for the other aspects of civil defense than simply the medical aspects of the program.

SOURCE OF TRAINEES

Senator ELLENDER. Where would those trainees come from, all over the United States?

Dr. MCCARTER. They would start by coming from around us in the Southwest. Eventually, we would hope that this program would extend over the whole Nation.

NUMBER OF TRAINEES

Senator ELLENDER. Do you propose to train 300——

Dr. MCCARTER. 750 would be the average. We propose to train 3,000 in 4 years.

Senator ELLENDER. How much would that cost?

Dr. MCCARTER. $194,000.

Senator ELLENDER. Would the 700-some be 4 years?

Dr. MCCARTER. Yes.

COST PER TRAINEE

Senator ELLENDER. Well, then, the cost a person would be roughly $800?

Dr. MOSLEY. I think there are other things that would come into this.

Senator ELLENDER. How much would you have to add to the existing plant to put this into operation?

Dr. MOSLEY. Nothing.

Senator ELLENDER. Would the Government have to contribute anything to the hospital?

REQUEST FOR HOSPITAL

Dr. McCARTER. We are asking for an experimental hospital to experiment with as a hospital.

Senator ELLENDER. The Government would have to put that up?

Dr. McCARTER. Yes, sir.

Senator ELLENDER. How much money would be required for that?

COST OF HOSPITAL

Dr. McCARTHY. We estimate a total of $650,000.

Senator ELLENDER. And that hospital would be established in order to train people to help others survive in case of atomic attack?

Dr. McCARTER. That would be part of it; yes.

Senator ELLENDER. You don't have any such training centers anywhere in the country?

Dr. McCARTER. As far as we know, none exists and none is being planned anywhere in the country.

RELATION TO UNIVERSITY

Senator ELLENDER. What would the university do?

Dr. McCARTER. Our contribution in dollars would be about $35,000. This would be chiefly in supplies and some clerical help.

Senator SALTONSTALL. Are there any hospitals there now that you could use so you would not have to establish a new hospital?

Dr. McCARTER. Of course, we do have hospitals, but we do not have any experimental hospital. As far as we know, none have been developed.

STUDY ON TYPE OF HOSPITAL FOR EMERGENCIES

Part of the idea here is to study what kind of hospital installation one would need in this kind of emergency, how much of it would have to go underground.

Senator SALTONSTALL. So part of the research would be establishing hospital facilities.

Dr. McCARTER. Yes, sir; that is right.

PROTOTYPE HOSPITAL

Senator MONRONEY. This would be a prototype perhaps.

Dr. McCARTER. This would be a prototype; and if I may emphasize, basic to the whole idea is the team concept of taking professional people, that is, health workers, communications people, warehousing people, and so on, who already have 80 or 90 percent of the knowledge that they need and putting them through a concise, systematic training program with the equipment, to take over, move in, in case of this kind of emergency. The training that has been done so far, I think, for civil defense has been chiefly on the administrative side. These other people who would move in and do the work in the community, a team of 10 people for every unit of 10,000 population.

EXPERIMENTATION WITH INSTRUCTION

Senator SALTONSTALL. So it is the training of men and women, rather than experiments and research on what to do regarding the people.

Dr. McCARTER. The experimentation, Senator, would be with instruction itself, how it should be given.

Senator SALTONSTALL. I see.

Senator ELLENDER. That would be for medical care only.

Dr. MCCARTER. Yes, sir.

Senator ALLOTT. May I inquire, have you discussed this with the civil defense people?

Dr. MOSELY. Yes, sir.

Senator ALLOTT. Did they bring this up yesterday afternoon?

QUESTION OF COMMITTEE JURISDICTION

Senator MAGNUSON. No. I am just wondering what we have to do with it here. We have an appropriation in front of us for the HEW of $41 million, of which $40 million is for the acquisition of a medical stockpile and an additional 750 of these mobile hospital units, which would bring the total in the United States up to 3,430.

Now, there is a house figure, they now have 1,930 emergency hospitals and they put an additional 750 in this fiscal year. They are asking for additional money to add 750, but only suggest that they have out of the $41 million—that will cost $40 million. They only suggest $564,000 for emergency health training and community preparedness. Is this the item you were addressing yourself to?

Dr. MOSLEY. No, sir.

Senator MAGNUSON. What item?

SPECIAL PROJECT GRANT

Dr. MOSLEY. This is over and above the funds that are being asked for health mobilization of the Health Service. This is a special project grant we are interested in.

Senator MAGNUSON. They haven't suggested anything to us.

Senator ALLOTT. It hasn't been cleared by the Budget, referred to the Budget?

Senator MAGNUSON. We could ask them about it.

Dr. MCCARTER. We were encouraged to propose this to be financed through the Public Health Service by a supplementary appropriation over and above the regular appropriation.

Senator MAGNUSON. Well, obviously if we should give this additional amount and we had 750, we will have 3,430 of the so-called mobile emergency hospitals and they should have some kind of training program to operate them.

Dr. MOSLEY. May I answer that question?

Senator MAGNUSON. Yes. But now we can't be the fathers of the thought too much. You should clear it with them and have them come and ask us about it.

OBLIGATION OF STATE HEALTH OFFICER

Dr. MOSLEY. You put your finger on a very sore point, addressing it to me as a State health officer. It is my duty and responsibility to see that these 20 hospitals we have in our State already are operational, but I am given the direction but am given no assistance, no support, no guidelines to carry out my basic duty as the health commissioner of our State. What we do need—and this is the point—if we do not start training our medical people how to use the resources we have available you might as well not have them. We have stockpiles; we

do not know where they are. We do not know how to get a hold of them. We have doctors, we have nurses, who are anxious to be told things.

NEED FOR TRAINING

Now the health mobilization has a real responsibility to organize and put our resources into a functional capacity. You cannot do it except by training. You can't wait until the game is started before you train your team members. This is what we are getting at. Actually, the cost is $790, the 3,000 people, and it is rather incidental. What we need to do is expand this thing to where the whole United States, all the doctors and nurses and paramedical people have a chance to enlist the aid and support to make their contribution when the chips are down. Once the bomb is dropped, you have the communities cut off from everybody, and you have to count on people who are left to coalesce and form the teams and get the job done. In the 30-day period in which I think our whole country hangs on the fate of what the local people know and the initiative of the individual to survive and want to live——

PART OF CIVIL DEFENSE PROGRAM

Senator MAGNUSON. This is part of the civil defense program.

Dr. MOSLEY. Yes.

Senator MAGNUSON. But the medical education for national defense program is the total amount, is $189,000, which provides grants to assist all 87 medical schools in the United States to incorporate disaster training and their curriculum. So I would think that you would have to go down and see them about how they are going to split the pie here of $189,000, if we give it to them.

Dr. MOSLEY. Yes; but, Senator, there is a factor here. I am very well acquainted with the program. I was associate dean of the University of Oklahoma. I was instrumental in getting the money there, and it is being used very well indeed, but there is a training plan need to organize local resources and help the personnel to be functional and make use of the local resources when the event occurs. The program does not do this. This is why the University of Oklahoma proposition is so significant.

POSITION OF COMMITTEE ON REQUEST

Senator ALLOTT. Let me say this: I think there is a misunderstanding here. What we are speaking of is a function of the Office of Civil Defense. This is the Appropriations Subcommittee which deals with the activities of the Office of Civil Defense. Without any recommendation from them, this committee is hardly in a position to set up a separate appropriation for this activity solely aside and apart from the Office of Civil Defense; at least, this would be my point of view. I think it is talking to the same purpose but not talking about the same thing because whatever your activity would be, as I see it, would have to be carried on through coordination with and through the program of the Office of Civil Defense.

Dr. MOSLEY. You are right. We are talking about two different things and two different appropriations. You are exactly right. One is a supplementary which your committee was not aware of.

JURISDICTION OVER SUPPLEMENTAL REQUESTS

Senator ALLOTT. Even if it were a supplementary appropriation, may I say for the benefit of you gentlemen, the supplementary appropriation does not come within the scope of this committee's activities at the present time.

Would you say that is correct, Mr. Chairman?

Senator MAGNUSON. No. This is fiscal 1963.

Here is Dr. Huntley's statement. You can take it with you and see what he proposes. He gave it yesterday.

We will ask him about it and find out what plans they have, if any.

Senator ELLENDER. Did you get any support at all from Civil Defense?

SUPPORT FOR CIVIL DEFENSE

Dr. MOSLEY. Yes. We have been in very close correspondence with Civil Defense and this was the approach that we were advised to take. We were turned down by the Office of Civil Defense in DOD. They said, as you say, they could not handle this. The suggestion was the Public Health Service could handle it if moneys were made available for the specific purpose. This is why we happen to be here today.

Senator MAGNUSON. We are very glad to have you.

Dr. MCCARTER. Thank you, sir.

Senator MONRONEY. Will the committee submit copies of their statements to the Department of Health, Education, and Welfare for comment in connection with their consideration of the supplemental bill?

Senator ALLOTT. I would like to say, even though Public Health Service is undertaking this particular part of the program, it is wise to keep in mind that in this instance the Offices of Civil Defense still has jurisdiction over the Public Health Service.

Mr. MOSLEY. We went to DOD first. We are going down the line.

CONCERN OVER COMMUNITY NEEDS

Senator, may I make one statement: The boys at the grassroots like I am, Civil Defense goes up and Civil Defense goes down, the interest of Congress seems to be this way, but the people who are going to win this next war are the individuals in the communities who are going to have to survive by themselves and that is why I am so deeply concerned with this whole business and the real significance this committee meeting today has terrific impact upon our survival.

Senator MAGNUSON. Thank you.

(The prepared statements of Kirk T. Mosley and Dr. Pete Kyle McCarter follow:)

My name is Dr. Pete Kyle McCarter. I am vice president of the University of Oklahoma, and I am representing Dr. George L. Cross, president of the university, who was unable to attend this meeting because of illness.

I will move immediately into the substance of this statement.

The University of Oklahoma proposes to establish a Center for Civil Defense Health Studies, which will become a prototype for similar centers as they may be needed elsewhere in the Nation, and hopes that the Congress will finance this experiment through the Public Health Service by a supplementary and earmarked appropriation for the purpose.

The basic and primary aim of this center will be to develop the most practical and effective method of training certain professional and specialized citizens

in each community to look to the emergency health needs of the community in case of a nuclear attack or nuclear disaster.

The idea that members of our faculty and staff have conceived and wish to experiment with is to select for every unit of 10,000 population a team of 10 people who already have training and experience that will be immediately needed in such an emergency. These would include a public health specialist, a physician or dentist, a nurse, a mortician, a food service manager, a housing manager, a communications specialist, a warehousing manager, a records specialist, and a public information specialist.

Each of these people, as you see, already has a great deal of the knowledge and perhaps a good bit of the training that he needs. We believe that a course of study and training can be evolved that will quickly and systematically prepare them to adapt their knowledge to a Civil Defense emergency.

We propose to do this job in complete cooperation with the regular Civil Defense directors and officials.

We estimate that in 4 years we can train 300 of these teams, or about 3,000 people, in civil defense health. By that time we should have the program ready for other universities and colleges to offer through their divisions of adult education, and then the number of trained people will quickly begin to multiply geometrically.

We do not know of any place where this kind of training is now being offered or even being planned.

We believe that this kind of experimentation and instruction should be carried on in our universities and colleges, where the knowledge already exists, where the methodology already exists, and where the organizational and physical facilities already exist.

We believe that the pilot work should be done at the University of Oklahoma, where the faculty and administration are known to be committed to adult education as an integral part of our mission, where there is now in operation one of the finest adult education centers in the world—a fair-sized campus in itself—where we have one of the most imaginative public health education programs in the country, and where this idea that I am introducing to you was conceived.

We estimate that we can do this job with Government support in the amount of $193,765 a year for 4 years, or a total of $775,060, for the training program itself; plus an estimated $600,000 for the construction of an experimental civil defense hospital and a grant of $50,000 to be used for architectural and engineering research on the hospital before construction begins. The grand total requested is $1,425,060 over a period of 4 years.

I am Kirk T. Mosley, commissioner of health, State of Oklahoma, professor of preventive medicine and public health, University of Oklahoma School of Medicine, and consultant to the Public Health Service, Division of Health Mobilization.

As one considers civil defense with special reference to health mobilization, since this is the aspect of civil defense with which I have been closely associated for several years, only two points of view seem tenable. One point of view is that health mobilization is of the utmost importance and deserves top priority in the conduct of affairs at all levels of government. The other point of view is that health mobilization is of no importance at all and any time and energy devoted to it is of questionable value.

The first point of view is the only tenable one on the basis of the following premises:

Premise 1

History bears record of the fact that war has been and continues to be one of man's methods of settling conflicting interests. As yet, war has not been successfully outlawed. The most cursory glance at military budgets certainly denies that war is outmoded. It would seem that we are continuing the truth of H. G. Wells' remark that "Human history is becoming more and more a race between education and catastrophe."

Premise 2

Modern war (hot or cold) is waged against the strongest support and underlying power of a nation—the civilian population. The greatness of a nation is often measured in terms of natural resources or evaluated in terms of

standards of living and degree of prosperity. However, the real strength of a nation lies not in these material resources but in the people themselves who give to the nation its true strength; whose integrity and loyalty determine the potentiality of a nation to survive and resist.

Premise 3

Modern weapons are particularly effective against industrial centers and metropolitan areas. Part of the huge expense of modern arsenals is a direct indication of the military necessity of destroying an enemy's productive capacity which is usually located in thickly populated industrial centers. The prime target areas of the United States contain over 50 perecnt of the total population. Magazines and newspapers carry illustrations of new weapons capable of demolishing urban centers by the square mile. In addition, other weapons in the modern arsenal include chemical agents and biologic agents which, in many instances, can serve an enemy best if these agents are used to attack large concentrations of civilian population rather than troops on the battle-front.

Premise 4

This premise is more or less a conclusion based upon the first three. If the first three premises are logical, it becomes apparent that civil defense is as important as military defense as far as national survival is concerned. If the weapons of war are to be directed against communities, then it is most essential that communities be prepared for such attacks and be ready to do their share in assuring national survival. Likewise, the weakest link in the defense of a nation might readily be its civil defense. An essential war plant not operating because the workers are incapacitated due to an ineffective health program which allows outbreaks of dysentery or other severe infections may be just as damaging to our resistance and to the enemy as the loss of some vital outpost or strategic airbase.

Premise 5

This premise is concerned with our hope of survival in the event of any future attack upon our Nation. This premise is that civilian casualties will occur and must be included in any plans for the defense of our country in case of an attack. Under the assumption that an attack against our country will be resisted, the necessity to plan and to prepare for anticipated medical and health problems is obvious. This planning and preparation is in essence the purpose of health mobilization. In view of the weapons of modern war there is every reason to believe that the price of survival may be high and must be considered in all preparations and all planning.

However, the underlying objective of health mobilization is to minimize as much as possible—

1. The number of casualties.
2. The useless loss of lives.
3. The amount of avoidable suffering.
4. Delay in reestablishing and relocating civilian communities.
5. Interference with productivity and the Nation's ability to wage a successful war.

Health mobilization—Its significance and intrinsic value.—The acceptance of the principle of health mobilization is of immeasurable significance to the welfare and future of our counrty. Health mobilization in itself has certain intrinsic values far beyond the dollar value of funds appropriated for its support.

Health mobilization in itself represents our confidence in the integrity of our people. It represents our earnest money or our wager that we as a nation will survive. It is a measure of our vigor and ingenuity as a nation to meet any situation regardless how insurmountable it may seem. It represents our immediate answer to any foe which would threaten us that we are not ready to surrender or that we believe that we can be defeated. Health mobilization gives evidence that we appreciate the reality of this world in which we live. It represents one of the best mechanisms to enlist the average citizen to active participation and thereby to express his faith in our present way of life.

Health mobilization, the necessity for preplanning and preparation.—In recent years scientific developments in modern warfare have overcome the great natural barriers that have served to protect us from threats of invasion or destruction. Our silent impregnable allies for over a century were time and distance. Our reliance upon time and distance in this modern world of ours would

be about as effective as relying upon bows and arrows to fight a modern war. The only possible replacement or substitution for time and distance is preplanning and preparation.

1. Philosophy of preparation: One of the basic elements in preparation is that of establishing a reason for preparation in hearts and minds of all those who are being prepared. In this situation it means every citizen in our country. The very act of preparation will serve as a constant reminder why we are citizens of the United States and exactly what it means.

2. Depth and quality in preparation: The depth and quality of preparation is the measure of importance given to health mobilization by leaders at the various levels of government. Preplanning and preparation in quality and in depth appears to be expensive. This is why those who have to exercise decisions in the cost of government have to fully weigh the significance of the value of health mobilization. It may be compared to the decision that a man would have to make if he were buying insurance for a piece of property. If the property were very valuable and irreplaceable, he would cheerfully pay a high insurance rate, and he would have no objection at all to pay the premiums as long as his property is safe. On the other hand if the property had a low value in the eyes of the man, he may not take out any insurance at all or insure it at a very low rate. Health mobilization is a premium that must be paid for our security.

Major health problems to be faced in health mobilization planning.—1. The overwhelming number of casualties following a nuclear weapon attack on the larger cities. This will be an immediate problem.

2. Identification and burial of dead.

3. The huge number of injured survivors—many will die within first month, but many others will require prolonged periods of hospitalization. Major types of casualties will include:

(*a*) Traumatic injuries.
(*b*) Burns.
(*c*) Radiation injuries.

4. The masses of uninjured evacuees. Although welfare needs may be the immediate problems, this group will become the focus of long-term health and medical problems.

5. Health problems in the stricken area will be aggravated by:

(*a*) Shortage of trained personnel to care for emergency medical conditions.
    1. Problem as to when public health personnel should be released from caring for casualties and return to public health duties and responsibilities.
(*b*) Shortage of medical supplies and equipment.
(*c*) Inadequate facilities for treating wound survivors.
    1. Tremendous shortage of hospitals—since many will be destroyed.

6. Medical conditions to be expected as a natural course of events:

(*a*) Obstetrical cases.
    1. Normal and premature deliveries.
(*b*) Childhood diseases and other infectious diseases, TB, typhoid, VD, etc.
(*c*) Chronic diseases of all sorts.
    1. Heart attacks.
    2. Cancer.
    3. Diabetes.
    4. Arthritis, etc.
(*d*) Appendicitis, ruptured ulcers, strangulated hernias, intestinal obstruction, etc.
(*e*) Dental emergencies.
(*f*) Mental illness.
(*g*) Nutritional disorders, etc.

7. Special public health and sanitation problems—as a consequence of mass evacuation, when most of the barriers which guard against the spread of diseases have been destroyed, when routine procedures and measures are impossible, when trained personnel are extremely scarce.

8. Protection against radiological, chemical, and biological warfare agents.

PERSONAL AND COMMUNITY INITIATIVE AND DISCIPLINE

For the first 15 days following a thermonuclear attack the fate of our country will be determined to a large extent by the initiative of individuals to take care of themselves, their families, and their immediate neighbor. The expression "to take care of themselves," involves all the basic requirements for living and preser-

vation of life and health without any assistance through community effort or from outside agencies.

Medical self-help training programs will stimulate initiative by giving the individuals confidence that survival is possible even in adverse circumstances. This confidence plus knowledge about how to make the best possible use of one's resources and what types of hazards can be expected will do much to replace fear and despair with hope and desire—the wellspring of initiative.

As a matter of principle, the individual has the same basic right to be as fully prepared as possible to survive these initial days of danger, when he is strictly on his own, as the soldier who is given extensive training in how to take cover and use protective measures when exposed to heavy enemy action.

Training in medical self-help will do much to prepare this individual to increase his chances for survival of himself and his family.

Communities will be isolated and will be called upon to make decisions, pursue a course of action and be prepared to meet all of its own needs in terms of health protection and medical care as well as the other basic elements necessary for living. The protective shield of medical science and public health measures will be stripped away and the only feasible substitute will be that of individual initiative and community initiative to preserve and protect the lives of household members and citizens of the community.

Assisting communities in preparing to meet their health and medical needs is a basic responsibility of the heatlh mobilization program. Community needs will have to be met in the face of shortages of medical manpower, medical supplies and equipment.

Stockpiling of supplies and equipment is part of the answer. Inventorying medical manpower is a part of the answer. Capabilities of medical manpower can be expanded by training. The critical factor, however, is organization and assignment of medical manpower so that medical and health resources are utilized as effectively as possible and supplies and equipment are expended where the most good will be accomplished.

Under the circumstances of complete breakdown of transportation and communications for several weeks after a thermonuclear attack, medical and health resources must be so trained and organized that at the earliest moment possible there will be the automatic formation of health mobilization teams with the capability of protecting the health, preventing outbreaks of disease, providing medical care for specific areas or population groups.

Devising organization and training programs which will provide local communities with capabilities of meeting their health needs during the first few weeks after an attack is one of the major responsibilities facing the health mobilization effort. The proposal submitted by the University of Oklahoma to establish a prototype center for civil defense health studies center is designed to help solve this problem.

In concluding this testimony on the importance of health mobilization, there is a basic truth which has a most pertinent application to this whole matter. The truth is: "A people without vision will perish." Vision to understand that:

1. All will be participants

We must as a people have the vision that in an all-out war everyone will be a participant; there will be no spectators. Each of us will be as much in the front lines as any soldier in uniform.

2. There is no substitute for preplanning

We must have the vision to see the need for preplanning. Most everyone is quite willing to come to the aid of a friend in need during times of trouble, so the desire to help is a part of our American instinct. Unfortunately, good intention alone will not be enough. Unless there is preplanning, help offered after disaster strikes may be too little and too late.

3. All must cooperate

This vision must enable us to see the total picture of civil defense and not only the small segment which is of some personal interest. It will be essential that all learn how to cooperate with other disciplines in the medical field, also with many disciplines in the fields not related to medicine. We may have to depend upon someone else for shelter, food, gas, supplies, and for many other services essential to our own active participation in the war effort. Success in the war effort will require the fullest cooperation and understanding at all levels of operation and in all categories.

4. New perspective

The vision must show the highly trained and specialized professional person a new perspective of how their talents and skills can be best used in a modern war effort. The highly skilled person must learn how to channel specialized services to masses of people through aids and auxiliaries. This means, of course, that skilled and highly trained workers need to enlist and train large reserve forces of aids and auxiliaries to perform the direct services which ordinarily would be performed by professional people. For example, the public health nurse may have 50,000 to 100,000 people for whom she is responsible instead of the usual 5,000 to 10,000. Somehow she will have to get her role and particular skills exercised through her aids and auxiliaries to meet the problems which she will be faced.

The same thing will be true of sanitarians and engineers. The number of people they will be responsible for will be so large that the greatest use of their talents will be seeing that things are done instead of rendering the service themselves as might be expected in times of peace. It is necessary that this vision be obtained now, for now is the time to select and train reserves of aids and auxiliaries who will be responsible for performing the direct services.

5. Personal, family, and community responsibilities

Finally, each person who with any awareness of the heritage which is his should have the vision to see his responsibility for the preservation of himself, his family, his community, and his Nation. The health aspects of civilian defense must begin with each person, include each home, reach out to the community, and when you add all these together, you will have a nation prepared for any disaster.

(The attached letter from Dr. Kirk T. Mosley, commissioner, Oklahoma Department of Health, with reference to the testimony beginning on p. 387 was subsequently received by the subcommittee:)

STATE DEPARTMENT OF HEALTH,
STATE OF OKLAHOMA,
Oklahoma City, August 8, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I am not sure about the protocol of this letter, but I would like to express my sincere appreciation for the courtesy as well as the forebearance of your committee during the hearings at which Dr. McCarter explained the proposal of the University of Oklahoma to establish a prototype center for Civil Defense Health Studies and I placed before the committee testimony concerning certain other aspects of health mobilization. If some of my remarks did not seem to bear directly on the specific purpose of the committe hearing, I trust that you will overlook this error on my part and accept it as my deep and sincere concern about the civil defense and particularly the health mobilization problems facing our country.

I hope the written statement given to the committee will help in clarifying my views and be of assistance to the committee in their deliberations on the support to be given to the health mobilization effort of our country.

Sincerely,

KIRK T. MOSLEY, M.D.,
Commissioner of Health.

FEDERAL AVIATION AGENCY

STATEMENT OF NAJEEB E. HALABY, ADMINISTRATOR, ACCOMPANIED BY LT. GEN. HAROLD W. GRANT, DEPUTY ADMINISTRATOR; ALAN L. DEAN, DEPUTY ADMINISTRATOR FOR ADMINISTRATION; ROBERT J. SHANK, DEPUTY ADMINISTRATOR FOR DEVELOPMENT; CLARKE HARPER, DIRECTOR OF BUDGET; DAVID D. THOMAS, DIRECTOR, AIR TRAFFIC SERVICE; JOSEPH D. BLATT, DIRECTOR, SYSTEMS RESEARCH AND DEVELOPMENT SERVICE; NATHANIEL H. GOODRICH, GENERAL COUNSEL; DONALD S. KING, ACTING DIRECTOR, INSTALLATIONS AND MATERIEL SERVICE; G. WARD HOBBS, DIRECTOR, BUREAU OF NATIONAL CAPITAL AIRPORTS; DR. JAMES L. GODDARD, CIVIL AIR SURGEON; GEORGE C. PRILL, DIRECTOR, FLIGHT STANDARDS SERVICE; AND COLE MORROW, DIRECTOR, AIRPORTS SERVICE

LETTER FROM AGENCY AND JUSTIFICATIONS

Senator MAGNUSON. All right, the Federal Aviation Agency. Mr. Halaby is here.

We will place your letter to the committee in the record and in full and the justifications.

(The information referred to follows:)

FEDERAL AVIATION AGENCY,
Washington, D.C., August 3, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: Reference is made to your letter of July 27, 1962, regarding the action of the House of Representatives on H.R. 12711, the Independent Offices appropriations bill, as it affects the Federal Aviation Agency. This bill, as approved by the House, includes $739,625,000 in appropriations for the FAA, a reduction of $71,175,000 from the $810,800,000 requested by the President. The House allowance will provide us $719,625,000 in new obligational authority and $20 million to liquidate obligations incurred in the prior year's authorizations. The new obligational authority approved by the House is approximately $10 million less than the $729.8 million authorized for the 1962 fiscal year program.

The bill, as passed by the House, would thus require the Federal Aviation Agency to meet the growing needs of aviation with less funds than the Congress approved for the 1962 fiscal year.

We are requesting restoration of $70,733,000 of the $71,175,000 reduced by the House. There is $442,000 included in our estimate for the "Operations" appropriation which will not be required, and we will discuss this in more detail in the enclosed justification.

The funds requested of the Congress for fiscal year 1963 are sufficient to support only the most essential programs of the Agency. The House action on the appropriation requested will retard our progress in providing for the needs of civil and military aviation and will require us to: (1) "mothball" new facilities available for service; (2) delay the implementation of new services required to provide for safety in aviation, such as radar handoffs and area

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positive control; (3) further delay procurement of needed equipments; (4) impair our vital research and development effort; (5) prevent the strengthening of our program for establishing and enforcing safety regulations; (6) reduce our aviation medical resources to below the 1962 level; (7) delay the start of the operation of the new Washington International Airport; and (8) seriously limit the program for developing a civil supersonic aircraft at a time when we are in serious competition with the Soviet Union, Britain, and France.

Over the past several years, the Congress has demonstrated in many ways that it recognizes the urgent need for the improved management of air traffic and that more adequate facilities and services must be installed, manned, and maintained if we are to advance air safety. The House Appropriations Committee recognizes that aviation is expanding and that our problems are becoming increasingly complex, as indicated in the report on our bill. The mixing of high-speed jets with aircraft of low and medium speed and range presents a challenge which can only be met by providing improved, but costly, equipment. Congress has provided increased appropriations, starting in 1957, to finance the first stages of the program to close the gap between the capability of FAA to perform services and the expanding needs of civil and military aviation. The reduction approved by the House will gravely retard the FAA in its efforts to cope with air safety needs at a critical period.

We realize that the providing of safety and reliability in aviation is more costly than any of us would like. The budget estimates for the FAA were, therefore, given the most thorough screening before their submission to the Congress. Nonessential and marginal requirements were eliminated and only those funds were included which are needed to provide a balanced, hard-core program to meet undeferrable needs in a planned and orderly manner.

Our 5-year budget program, which was prepared in the spring of 1961, projected a need for the 1963 fiscal year of $880 million in new obligational authority and did not include the provision for the recent air traffic controller pay reclassifications, military flight inspection, and increased travel allowances. The inclusion of these requirements brings the total to $895 million. This 5-year budget program is an internal planning document that is subject to careful review by the top management of the Agency, and is in the main a reliable projection of our requirements. Through a combination of a most critical review of our estimates and changes in program direction, our 1963 estimate submitted to the Congress for new obligational authority of $790.8 million was over $100 million below our projected requirements of a year ago. I urge that the committee recognize and give consideration to the sincere efforts of the executive branch to prepare an estimate at an absolute minimum level. It has taken several years to bring our services to aviation to the current level of effectiveness and to provide a capability of further improvement in our programs. These additional improvements are badly needed, but they simply can't be provided without the funds requested by the President for the 1963 fiscal year.

The aircraft users, including the commercial air carriers and the military, have based their plans on our ability to operate new facilities as they come into existence and to continue to improve the safety and efficiency of aviation.

We are confident that after you have examined the effect of the House reduction on the Agency's program you will support the restoration of $70,733,000 of the amount reduced by the House. I have enclosed a more detailed justification, and I shall furnish any additional information you may require.

Sincerely,

N. E. HALABY.

Summary of 1963 estimates, House reductions and requested restoration

Appropriation title	Budget estimate	House		Requested restoration
		Allowance	Reduction	
Operations	$492,500,000	$463,400,000	−$29,100,000	$28,658,000
Facilities and equipment	135,000,000	120,000,000	−15,000,000	15,000,000
Grants-in-aid for airports (liquidation of contract authorization)	20,000,000	20,000,000		
Grants-in-aid for airports	75,000,000	75,000,000		
Research and development	50,000,000	35,000,000	−15,000,000	15,000,000
Operation and maintenance, Washington National Airport	3,725,000	3,225,000	−500,000	500,000
Operation and maintenance, Dulles International Airport	3,675,000	3,000,000	−675,000	675,000
Construction, Washington National Airport	2,500,000	2,000,000	−500,000	500,000
Construction and development, additional Washington airport	3,400,000	3,000,000	−400,000	400,000
Civil supersonic aircraft development	25,000,000	15,000,000	−10,000,000	10,000,000
Total	810,800,000	739,625,000	−71,175,000	70,733,000

FEDERAL AVIATION AGENCY

OPERATIONS

(House hearings, pp. 743–833)

(P. 10, line 7, of H.R. 12711)

1962 appropriation	$434,300,000
1963 budget estimate	492,500,000
Increase (+) or decrease (−), 1963 estimate over 1962 appropriation	+58,200,000
1963 House allowance	463,400,000
House reduction from 1963 estimate	−29,100,000
Restoration requested	28,658,000

AMENDMENTS REQUESTED

(1) On page 10, line 15, delete "$463,400,000" and insert "$492,058,000".

(2) On page 10, lines 16 to 20, delete "That total costs of aviation medicine, including equipment, for the Federal Aviation Agency, whether provided in the foregoing appropriation or elsewhere in this Act, shall not exceed $4,920,000 or include in excess of 304 positions: *Provided further*,".

HOUSE REPORT

"*Operations.*—The committee recommends $463,400,000 to operate the national system of air traffic control and other facilities and programs of the FAA. Appropriations for this activity have rapidly grown in recent years, but there is a rise in air traffic to warrant an increase in appropriations. The scope of FAA operations has broadened in that a progressively greater proportion of flights are being controlled and the mixture of air traffic is more complex. The committee recognizes these developments and is providing $29,100,000 over 1962, or one-half the increase proposed in the budget estimate.

"The bill last year contained a limitation of $2 million on the total cost of aviation medicine research. A change in language is recommended to broaden the limitation and include all expenses of aviation medicine, including medical research, equipment, medical standards, operation of the Civil Aeromedical Research Institute, supervisory and other related costs. Other agencies are doing similar research and the bill limits the activities of FAA in this field to $4,920,000 and 304 positions, which is $946,000 and 20 people more than in 1962, or half of the increase requested.

"The committee wants to caution the Administrator, Mr. Halaby, and his staff, who are dedicated public servants and do an outstanding job of trying to protect the public interest, not to spend too much time on new programs of marginal value. The committee has its doubts on the value of training 100 employees

each year how to fly at an annual cost of $340,000. No funds have been provided for this type of activity."

JUSTIFICATION

The request for the "Operations" appropriation was thoroughly screened and found to be basically sound, well conceived, and reflecting the minimum needs to carry out our current program. This appropriation, which finances the bulk of the operations of the Agency, provides primarily for—

(1) The operation on a 24-hour daily basis of a national air traffic management system.

(2) The maintenance of a national system of aids to traffic control and air navigation, and the direction and engineering for the establishment of air navigation facilities.

(3) The direction, evaluation, and administration of the research and development program.

(4) Flight standards activities to assure airworthiness of aircraft and safety in air operations through the continuing development and enforcement of civil air regulations affecting an increasing complex industry.

(5) The administration of a program of financial assistance to State and local governments in the development of a national system of safe and adequate airports.

(6) The development of standards, rules, and regulations governing the physical fitness of airmen, and the direction and administration of an aviation medical research program.

(7) Flight inspection of all civil and military navigation and traffic control facilities.

We requested $492.5 million for 1963, which is an increase of $58.2 million over the $434.3 million appropriated for fiscal year 1962. The requested increase included $19.9 million to finance the program authorized on a part-year basis during 1962, for a full year in 1963, and expanded program items costing $38.3 million. With the House allowance of $29.1 million we must still provide the $19.9 million required to continue the June 30 level of operation. Moreover, $5.5 million of the increase is to finance the flight inspection of military air navigation facilities, a program which had previously been funded by the Defense budget. The Defense Department will depend upon our providing for this service on a scheduled basis during the 1963 fiscal year and it must, therefore, be financed out of the increase requested in our "Operations" appropriation. Thus, it will cost the Agency a total of $25.4 million in additional funds simply to carry on activities at the June 30, 1962, level. Therefore, the increase of $29.1 million allowed by the House leaves only $3.7 million to operate and maintain new facilities and to meet total requirements for improved services for which we need $32.8 million.

Therefore, within the House allowance we will not be able to (1) commission the majority of the new facilities that will be available for service and in which the Government has invested over $125 million; (2) provide new services such as radar handoff and area positive control to provide for improved safety and reliability; (3) strengthen the program of developing and revising the regulations and standards established by the Agency to enhance safety in flight; and (4) make full use of our modern facilities at the Civil Aeromedical Research Institute.

There follows a list of the major facilities, the construction of which is funded under prior years' authorizations, that will be installed and ready for operation during the 1963 fiscal year. Within the House allowance we will not be able to commission most of these facilities when they are available for service during the 1963 fiscal year.

Long-range radars	18
Air traffic control radar beacons (for long-range radar)	18
Airport traffic control towers	13
Airport surveillance radars	5
Precision approach radar	1
Airport surface detection equipment	1
Air traffic control radar beacons (for airport surveillance radar)	24
Directional finding equipments	10
International flight service station	1
Very high frequency omnidirectional radio range	49
Very high frequency Doppler omni radio range	10
Distance measuring equipments	181
Flight service stations	2
ILS's	22
Standard approach lights	53
Runway and identification lights	11
Visual glide slopes	42

In addition to the above-mentioned facilities that cannot be commissioned within the House allowance, most of the following new services must be abandoned for the 1963 fiscal year:

1. Broadening the scope of the area positive control program designed to control all aircraft within specific areas above 24,000 feet so as to enhance safety.
2. Improve radar arrival handoff procedures. The purpose of this program is to provide constant radar surveillance to each arriving flight rule aircraft in certain high density terminal areas so that positive control identification and separation may be maintained by control at all times after entry into the terminal area.
3. Fully implementing our national flight data center designed to provide a comprehensive flight-information service for the entire aviation community.
4. Conduct an increased number of airport obstruction surveys and studies that are an essential part of air safety. Provision of this data is particularly critical for jet aircraft, and the accuracy of such data has a significant impact on the payload and safety of aircraft during takeoffs and landings.
5. Strengthening the program for the development and adequacy of safety standards covering the type, procedures, and original airworthiness certification of aircraft, engines, propellers, and appliances, and the day-to-day operation and maintenance of aircraft.
6. Improving our capability to verify the reliability of air navigation and air traffic control facilities through increasing our flight-inspection program.
7. Providing needed spare parts for aircraft procured during 1962.

You are requested to restore the $28,658,000 of the $29.1 million reduced by the House so that the above-listed programs can be carried out and the new facilities that will be available can be commissioned. We are not requesting restoration of $200,000 we had included for civil defense functions as this has been provided for in part under another appropriation, and we are not requesting restoration of $242,000 for the rental of the CARI building, as our request overstated our requirements by this amount.

One of the most serious actions taken by the House in our appropriation request was placing a limitation of $4,920,000 and 304 positions on our aviation medical program, which includes both the program financed under this appropriation and the program financed under our Research and Development appropriation. We have kept this program under tight control but it is one of the most essential programs we have for providing for safety in aviation, particularly that portion dealing with the aviation medical research program. We would like to have the limitation completely removed as an unnecessary singling out of a small but vital program for restrictive treatment. Just administering limitations of this type creates an unnecessary workload within the agency in maintaining records to enable us to certify these costs where we have joint programs. A more important issue, however, is the amount of this limitation. Our budget estimate presented to the Congress provided a total of $6,111,000 for administer-

ing the medical standards program and medical research. This amount has been revised to correct an overestimate of rental for the new CARI building, and the requirements for medical purposes now total $5,869,000. Of this amount, $825,000 is required for part-year operation and maintenance of a new Civil Aeromedical Research Institute building which will soon be in full operation. This is an increase of $720,000 over the 1962 level for rents and building maintenance for the medical program. The balance of the increase is requested for making effective use of the Institute, including the procurement of the necessary equipment and for strengthening our medical standards program. With the funds specifically allowed by the House, and the limitation, we cannot finance the Government lease of the building and still fully utilize the facilities provided by this building. You are urged to either remove the limitation or increase it to $5,869,000 and 324 positions.

The House report states that all new programs are funded for a full year during 1963 so that the request for annualization will not be considered in 1964. Our estimate, as submitted to the Congress, anticipated an average of 6 months for all new programs. Our new programs cannot be implemented on a full-year basis because: (1) the appropriation will not be available for the full year; (2) new facilities are commissioned as they are completed, and this is on a staggered basis during the year; and (3) prudent management dictates that we recruit new employees in an orderly manner throughout the year. If we were to attempt to finance our new program items for a full year in 1963, we would require an appropriation of $517.8 million, or $25.3 million more than the amount requested. We are not asking for these additional funds, as they could not be effectively used and would only lapse at the end of the fiscal year, but we are advising you that we will have a requirement in 1964 to finance the part-year cost for new programs for 1963.

Facilities and Equipment

(House hearings pp. 907–935)

(Page 11, line 1, of H.R. 12711)

1962 appropriation	$120,000,000
1963 budget estimate	135,000,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	+15,000,000
1963 House allowance	120,000,000
House reduction from 1963 estimate	—15,000,000
Restoration requested	15,000,000

AMENDMENT REQUESTED

(1) On page 11, line 11, delete "$120,000,000", and insert "$135,000,000".

HOUSE REPORT

"*Facilities and equipment.*—The committee has approved $120 million for new facilities and equipment, the same amount of appropriation as in 1962, and $15 million less than the budget estimate. In addition to new funds provided in the bill, a balance of $105,261,000 will be brought forward, making a total of $225,261,000 available for equipment expenditures."

The committee's attention has been directed to that fact that family housing is being constructed by the Government of American Samoa at a cost considerably less than that proposed by the FAA and other Federal agencies having personnel stationed there. The committee is informed that there is no record of typhoon winds at American Samoa, and facts do not indicate a requirement for houses to withstand such forces is necessary. Every effort should be made to obtain maximum cooperation with the local government to assist in constructing any needed houses at the lowest possible cost, and the cost of any such housing should be limited to not to exceed $15,000 per unit.

JUSTIFICATION

The House allowance for Facilities and Equipment was $120 million, which is $15 million less than the $135 million requested. Funds requested for this appropriation have been carefully screened and substantially reduced within

the executive branch so that the $135 million requested provided for a minimum program. It is true that we have over $100 million in unobligated balances but, while these funds are technically not obligated, they are committed to complete the funding of high priority projects previously approved by the Congress. Most of this committed, but unobligated, money will be used for on-site installations of equipments currently on order. To divert these funds to new projects would leave many projects now underway incompletely financed. These funds cannot, therefore, be used for the new program items included in our 1963 estimate.

We are making a major change in the air route traffic control center areas in the continental United States in order to provide for more safety and reliability in aviation. We, therefore, are reducing the number of air route traffic control centers from 29 to 21 over the next 2 years. This program will save the taxpayers over $100 million during the useful life of these centers. However, some short-term capital costs will be incurred during 1963 which have not been provided for in our budget estimate. This program is so important to safety and efficiency in aviation as to give it higher priority than some of the items included in our estimate.

The action of the House and the need to defer some items included in our budget estimate to provide funding for the consolidation of air route traffic control centers will require the elimination from the 1963 program of proposed facilities totaling some $23 million.

The most significant items that must be deferred include—

Providing single channel VHF transmitters at 97 FSS's.
Providing automatic error-correction equipment at five locations.
Establishing three ATC voice circuits.
Establishing 27 terminal VOR's.
Modifying seven VOR's to doppler VOR's.
Establishing 29 approach lights.
Establishing 40 runway end identifier lights.
Establishing 40 visual glide slope indicators.
Improving the usefulness and the reliability of 14 existing ILS by adding waveguide localizers.
Establishing six airport surveillance radars.
Providing 27 direct center pilot air/ground communications.
Improving the technical communications required for controlling air traffic.

In light of the careful review by the FAA of its needs before submission to the Congress and the critical nature of the items denied as a result of the House action, complete restoration of the reduction is requested.

The House committee report stated that the cost of housing on Samoa should be limited to $15,000 per unit. Funds to construct this housing have already been appropriated and we are making every effort to comply with the provisions of the House report regarding construction of the houses. We are also endeavoring to obtain maximum cooperation with the local government in constructing these houses. They will be constructed by contractors under the sealed-bid procedure and we cannot assure the committee at this time that the construction can be accomplished within the limitation of $15,000 per unit, but will make every effort to do so.

GRANTS-IN-AID FOR AIRPORTS (LIQUIDATION OF CONTRACT AUTHORIZATION)

(House hearings pp. 904–907)

(Page 11, line 19, of H.R. 12711)

1962 appropriation	$70,000,000
1963 budget estimate	20,000,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	—50,000,000
1963 House allowance	20,000,000
House reduction from 1963 estimate	0
Restoration requested	0

AMENDMENT REQUESTED

None.

HOUSE REPORT

"*Grants-in-aid for airports.*—The bill includes the $20,000,000 budget estimate to liquidate contracts with municipalities for airport construction under the Federal Airport Act before it was amended last year. The Committee also recommends $75,000,000 to finance the fiscal year 1964 program, authorized by Public Law 87-255. About 10 percent of the grants each year are for new projects and the balance is for improvements to existing airports."

GRANTS-IN-AID FOR AIRPORTS

(House hearings, pp. 897–904)

(P. 12, line 1, of H.R. 12711)

1962 appropriation	$150,000,000
1963 budget estimate	75,000,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	—75,000,000
1963 House allowance	75,000,000
House reduction from 1963 estimate	0
Restoration requested	0

AMENDMENT REQUESTED

None.

HOUSE REPORT

"*Grants-in-aid for airports.*—The bill includes the $20,000,000 budget estimate to liquidate contracts with municipalities for airport construction under the Federal Airport Act before it was amended last year. The committee also recommends $75,000,000 to finance the fiscal year 1964 program, authorized by Public Law 87-255. About 10 percent of the grants each year are for new projects and the balance is for improvements to existing airports."

RESEARCH AND DEVELOPMENT

(House hearings, pp. 740, 833–897)

(P. 12, line 10, of H.R. 12711)

1962 appropriation	$60,000,000
1963 budget estimate	50,000,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	—10,000,000
1963 House allowance	35,000,000
House reduction from 1963 estimate	—15,000,000
Restoration requested	15,000,000

AMENDMENT REQUESTED

On page 12, line 16, delete "$35,000,000" and insert "$50,000,000".

HOUSE REPORT

"*Research and development.*—The Committee recommends $35,000,000 for research and development related to modernizing the national aviation system. This is $25,000,000 below the appropriation for 1962 and $15,000,000 less than the budget estimate. A carryover of $21,503,000 will be brought forward, making a total of $56,503,000 available for such research."

JUSTIFICATION

The House allowance of $35 million is a reduction of $15 million from our request and a reduction of $25 million below the 1962 fiscal year appropriation for research and development. As stated in the committee report, we have approximately $21.5 million carried from funds authorized in previous fiscal years. Therefore, within the House allowance we could only support a $56 million pro-

gram in the 1963 fiscal year to finance the work carried over from 1962 and the new 1963 program. Our known requirements for 1963 are $65 million and, as a result of the beacon design team study and certain other studies currently underway within the executive branch, it is clear that a program of at least this magnitude will be required.

Our program presented to the Congress anticipated a carryover of some $6 million to the 1964 fiscal year. A carryover of this magnitude will be needed during 1963 to give essential flexibility to our research effort. These funds are an integral part of the 1963 program that we will be in the midst of obligating on June 30, 1963. During 1962 we obligated approximately $54 million and as of June 30, 1962, we had an additional $7 million in contracts under active negotiation. The House allowance would reduce our program level at a time when expansions in the program are needed to modernize the national system of aviation facilities with new equipment, techniques and procedures necessary to keep pace with the rapid evolution of military and civil aviation.

Additionally, there is a clear recognition of our need to stress the aircraft safety and development program in several key areas, including collecting technical information and providing the research support for standards and regulations relating to aircraft structures and systems. There is also a need to increase our activity in airports research and development, particularly regarding the traffic handling capacity of airports and the lighting and marking of airports to improve safety and efficiency in the airport complex. It is important that the Congress realize that there will be a continuing need for a level in our research and development effort, for other than medical research, of at least $63 million. A minimum of $2 million annually for a medical research program brings the total Agency research and development requirement to $65 million annually. This amounts to an annual research program of about 8 percent of the total planned program of the FAA for 1963.

Within the House allowance we will need to eliminate 27 important projects, 18 of which relate to air traffic control, 3 to air navigation, 3 to aircraft safety, and 3 to airports. The effect of the House action on the medical research program is to eliminate all of our contract research and to reduce below the 1962 level the available personnel required to effectively use the Civil Aeromedical Research Institute building that will soon be commissioned and available for use.

You are requested to restore the entire $15 million reduction approved by the House, so that we may make effective use of the knowledge obtained to date from our previous research efforts and can conduct necessary studies of the airways system of the future.

Operation and Maintenance, Washington National Airport

(House hearings, pp. 935–938, 952)

(P. 12, line 17, of H.R. 12711)

1962 appropriation	$3,225,000
1963 budget estimate	3,725,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	+500,000
1963 House allowance	3,225,000
House reduction from 1963 estimate	—500,000
Restoration requested	500,000

AMENDMENT REQUESTED

On page 12, line 25, delete "$3,225,000" and insert "$3,725,000".

HOUSE REPORT

"*Washington National Airport.*—The bill includes $3,225,000 for operation and maintenance of Washington National Airport. This is the same amount or appropriation as in 1962 and $500,000 less than the budget estimate. The bill also includes $2 million for construction at the airport, a reduction of $500,000 in the request."

JUSTIFICATION

The House action reduced the request, $3,725,000, to $3,225,000 for the 1963 fiscal year. The amount authorized by the House will not enable us to continue the level of staffing authorized for June 30, 1962, and, in addition, would deny the procurement of critically needed snow removal and runway cleaning equipment. There is a direct relationship between the ability of an airport to keep its runways clear of debris and snow and airport safety. Without this additional equipment, in the face of the need to increase the frequency of runway, taxiway, and aircraft apron area cleaning activities, the Agency will be extremely handicapped and, from the safety aspect, such cleaning operations will be accomplished at best in a marginal manner.

In view of the age of the airport, there is annually an increasing need for substantial maintenance projects. Within the House allowance we are unable to revitalize deteriorating roofs of the newer hangars or renovate the roof of the International Terminal Building, which has not received major attention since construction 15 to 18 years ago. We will not be able to repair cracked and deteriorating facing on the main terminal building or weatherproof passageways to prevent further damage. We must also defer the installation of sorely needed street lighting, the development of additional parking lots and our program for expansion and improvement of our existing parking lots. The latter revenue-producing activities are of major significance to the economic welfare of the airport.

You are requested to restore the $500,000 reduced by the House from our request.

Operation and Maintenance, Dulles International Airport

(House hearings, pp. 719–736, 943–946)

(P. 13, line 1, of H.R. 12711)

1962 appropriation	$1,975,000
1963 budget estimate	3,675,000
Increase (+) or decrease (−) 1963 estimate over 1962 appropriation	+1,700,000
1963 House allowance	3,000,000
House reduction from 1963 estimate	−675,000
Restoration requested	675,000

AMENDMENT REQUESTED

On page 13, line 9, delete "$3,000,000" and insert "$3,675,000".

HOUSE REPORT

"*Dulles International Airport.*—The committee has approved $3 million for operation and maintenance of this new airport which is expected to open this fall. This is $675,000 less than the budget estimate, but should be adequate for the initial year of operation. The bill also contains $3 million for construction, including a two-bay hangar and other minor items. The committee expects the cost of these improvements, including interest, to be amortized through fees and rentals."

JUSTIFICATION

We requested $3,675,000 for this appropriation in anticipation of this airport being available for use in early fall. The House reduced this amount by $675,000.

The preparation for the opening of an airport of this size requires the advance training of many categories of technical employees. The key employees in a skeleton operating organization were recruited during the late months of fiscal year 1962, and are currently undergoing necessary training and participating in the development of detailed operating plans. As opening day nears, it is necessary to complete the recruitment of the operating staff required for initial operations, in advance of the opening date. Similarly, it is also necessary to provide utilities and communications service during the preopening period substantially at a full operating level. Thus the substantial reduction to our direct operating expense as required under the House allowances, dictates a slippage

of our planned recruitment and hiring schedule which would delay the opening of the airport until at least January 1, 1963.

You are requested to restore the total reduced by the House so that this airport can be made available for use as soon as it is completed.

CONSTRUCTION, WASHINGTON NATIONAL AIRPORT

(House hearings, pp. 938–942)

(Page 13, line 10, of H.R. 12711)

1962 appropriation	$4,200,000
1963 budget estimate	2,500,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	—1,700,000
1963 House allowance	2,000,000
House reduction from 1963 estimate	—500,000
Restoration requested	500,000

AMENDMENT REQUESTED

On page 13, line 12, delete "$2,000,000" and insert "$2,500,000".

HOUSE REPORT

"*Washington National Airport.*—The bill includes $3,225,000 for operation and maintenance of Washington National Airport. This is the same amount of appropriation as in 1962 and $500,000 less than the budget estimate. The bill also includes $2 million for construction at the airport, a reduction of $500,000 in the request."

JUSTIFICATION

The House reduction of $500,000 from the $2.5 million requested for this appropriation will require us to eliminate important improvement projects from our 1963 program. The 1963 estimate provides for the implementation of the third phase of a long range modernization and rehabilitation program of this 22 year old airport. This program is directed toward eliminating general deficiencies in the structure and systems as well as hazardous and congested conditions in airport operation and passenger facilities. Even though the Washington International Airport will be available for use this fall, we anticipate continued high activity at Washington National Airport.

Within the House allowance we will need to eliminate the portion of the program intended to expand and modernize the taxiway and aircraft apron system. We will not be able to resurface the apron area between the existing north and south finger buildings from the terminal out to the finger end. Underlying silt and inadequate subsurface conditions in this area, coupled with the greater weight of the newer and larger aircraft, are continuing to cause pavement breakage and settling.

We will also need to eliminate the major part of the program providing for the establishment of general aviation aircraft parking areas. Existing facilities are inadequate for the airport's current needs, and will be grossly inadequate to meet the anticipated increase of such activity in the future.

Full restoration of the $500,000 reduced by the House is requested to improve and strengthen taxiway and apron systems and provide for additional aircraft parking.

CONSTRUCTION AND DEVELOPMENT, ADDITIONAL WASHINGTON AIRPORT

(House hearings, pp. 947–953)

(Page 13, line 14, of H.R. 12711)

1962 appropriation	$20,100,000
1963 budget estimate	3,400,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	—16,700,000
1963 House allowance	3,000,000
House reduction from 1963 estimate	400,000
Restoration requested	400,000

AMENDMENT REQUESTED

On page 13, line 17, delete "$3,000,000" and insert "$3,400,000".

"*Dulles International Airport.*—The committee has approved $3,000,000 for operation and maintenance of this new airport which is expected to open this fall. This is $675,000 less than the budget estimate, but should be adequate for the initial year of operation. The bill also contains $3,000,000 for construction, including a two-bay hangar and other minor items. The committee expects the cost of these improvements, including interest, to be amortized through fees and rentals."

JUSTIFICATION

The House reduced our requested $3.4 million to $3 million. The airport, which will be in operation this fall, will not have a hangar available for any purpose. Our request includes provision for a two-bay hangar to be used by the air carriers, the Government and others to provide shelter and service for aircraft undergoing emergency repair, overnight or turnaround maintenance and protection from severe weather conditions.

Our request includes funds to provide appropriate utility services, shops and office space, and apron area related to the structure. Funds are also included for a waste treatment plant which, in addition to serving this hangar, has the capacity of serving additional hangars anticipated to be erected by private capital. As stated in the House committee report, the cost of this hangar and improvements will be recovered through fees and rental. The House reduction will require us to curtail the size of the aircraft apron, the amount of shops and office space to be available and strictly limit the capacity of the waste treatment facilities to the needs of only this hangar. Ultimately, these deficiencies will need to be provided at a greater cost than they could be provided for at this time. In order to realize the economy that may be achieved by performing all this necessary work at the same time, restoration of the $400,000 reduced by the House is requested.

CIVIL SUPERSONIC AIRCRAFT DEVELOPMENT

(House Hearings pp. 953–964)

(Page 13, line 19, of H.R. 12711)

1962 appropriation	$11,000,000
1963 budget estimate	25,000,000
Increase (+) or decrease (—) 1963 estimate over 1962 appropriation	+14,000,000
1963 House allowance	15,000,000
House reduction from 1963 estimate	—10,000,000
Restoration requested	10,000,000

AMENDMENT REQUESTED

On page 13, line 24, delete "$15,000,000" and insert "$25,000,000".

HOUSE REPORT

"*Civil Supersonic Aircraft Development.*—The budget estimates include $25,000,000 to continue the feasibility study of the development of a civil supersonic aircraft. The Committee is recommending $15,000,000 for this purpose. The 1962 bill provided $11,000,000 to initiate this research and the Committee is hopeful that the study can be completed during fiscal year 1963. The National Aeronautics and Space Administration and the Department of Defense will also be engaged in related research for supersonic jet aircraft."

JUSTIFICATION

The $25 million requested in the fiscal year 1963 budget is intended to continue the research program started with the fiscal year 1962 funds of $11 million, most of which has been committed.

Last year I told this committee that we would be able to limit cost of this research phase of the program to $50 million. However, we now believe that

we can reach an important objective with the $36 million budgeted for fiscal year 1962 and fiscal year 1963.

This objective is to have sufficient data at hand to make important decisions which may be forced upon us within the next 2 years.

The House reduction of $10 million will significantly retard the date at which we can have this confidence in our understanding of the problems involved and may cause us to make decisions based on insufficient data which could prove very costly in future years.

This research program is aimed at providing answers in two important areas where the present military developments (principally the RB–70 and the SFX programs) cannot provide all the necessary answers. These are—

1. Safety and handling considerations compatible with commercial transport operations.
2. Economic considerations both in initial cost of the aircraft and direct operating costs compatible with commercial transportation.

There is a very real interplay between some rather basic research work and the answers to the above two question areas. For example, the extremely high wingloadings of the present crop of SS aircraft causes them to require long runways and very high takeoff and landing speeds. This problem is further aggravated by the noise problem which means the aircraft may be required to take off at substantially reduced power.

The study programs undertaken have included the examination of variable wing configurations, laminar flow control, as well as a wide variety of conventional and nonconventional fixed configurations.

The results from these studies are encouraging and we expect to be able to go to industry during fiscal year 1963 for configuration studies of the more promising approaches where landing speeds and low-speed handling characteristics will be specified, which will represent a substantial step forward in safety and maneuverability over the present generation of jet transports.

Another example of the interaction of the research program on the preceding questions is in our engine program. We will place very definite noise specifications on the powerplant. If we go to a variable swept-wing configuration, we will want to specify an engine capable of operating efficiently at subsonic speeds and also as high as mach 2 or 3.

None of the present military programs is adequate for this purpose. What is more unfortunate is that the basic development in powerplants has not been pursued with sufficient emphasis in recent years. We are thus in the position of needing to undertake basic studies in compressors, inlet exhaust-thrust reversers, pressure seals, and other techniques before we can get to the necessary engine cycle and configuration studies.

Based upon the work started in fiscal year 1962, we expect to contract for configuration studies in fiscal year 1963.

One further example of the basic research program needed is in structural and fabrication techniques. The cost per pound of the RB–70 is estimated to be running $200. A 150,000 pound empty transport would cost $30 million. Obviously, an economically feasible transport requires very real achievements in the technology of structures and materials. These are only three of many illustrations of the need for a well-conceived research program, fully coordinated with DOD and NASA on the technical side and with the airframe and air carrier industries on the requirements and economic side.

A third area of concern is beyond the immediate scope either of technical or direct economical considerations but may have an even more profound effect upon decision as to when to commit such a program. This has to do with foreign challenge to the present U.S. position both as an aircraft supplier and as a carrier. The economic implications of losing the world market for transport aircraft and being forced into a buyer's position could mean as much as $2 billion in balance of payments over the decade of the seventies. It would also mean a corresponding difference in employment of as much as 40,000 jobs over that decade. These are manufacturing figures only and do not include possible loss of air carrier business.

While these numbers don't have a direct bearing upon air transportation direct-operating-cost studies, they have a profound bearing upon our decisions of when to proceed and how to proceed.

In order to fully understand the need for the $25 million requested and the importance of these funds to the national interest, it should be made clear that the development of a commercial supersonic transport aircraft appears certain.

The question at issue here is whether this aircraft will be developed first by the United States, by one of our allies, or by Russia. Due to the tremendous productivity of such an aircraft, the free-world market will be limited and the first country to develop a safe, reliable, and economically competitive supersonic transport aircraft will undoubtedly capture this free-world market.

In the light of these factors, it is of paramount importance to not lose the technical initiative we now have. We must be in a position where we can move expeditiously in the right direction, supported by the knowledge and the facts necessary to make correct decisions. Viewed in this light, the fiscal year 1963 FAA budget of $25 million will buy not only 1 year's research effort on an important aircraft, but it will also prepare us to make meaningful decisions in an area where billions may be at stake.

You are urged to restore the full amount deleted by the House so that we will be in a competitive position in developing this airplane which is in the national interest.

PREPARED STATEMENT

Senator MAGNUSON. Do you have a statement?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. Here is the statement.

How do you want to handle this now? Do you want to put it in the record in full and proceed with the items involved?

Mr. HALABY. If it is agreeable to you sir, I could put it in the record in full and hit the highlights.

Senator MAGNUSON. Yes, I think it would be better if you take it item by item that you want to talk about.

(Mr. Halaby's statement follows:)

I appreciate the opportunity to present to you the Federal Aviation Agency's program and budget requirements for the 1963 fiscal year. We are here to help you evaluate the needs of our Agency and to set forth the reasons why the reductions approved by the House should be restored.

As you know, I have been Administrator for approximately 17 months and this is the first budget estimate prepared by the current administration. I wish to assure you that this is a conservative estimate based on a thorough review of the funding which the Federal Aviation Agency will require in 1963 to carry out the responsibilities assigned it by the Congress.

The House of Representatives approved appropriations for the FAA totalling $739,625,000, a reduction of $71,175,000 from the $810.8 million requested by the President. The House action provides the Agency with $719,625,000 in new obligational authority, a reduction of $10 million from the $729.8 million authorized by the Congress for the 1962 fiscal year.

We believe that the House made an effort to understand and support the essential activities of the Agency. However, we may not have made it clear that we came to the Congress with a hard-core program and that reductions in our estimate will have a serious impact on services essential to safety and efficiency in aviation.

We are requesting restoration of $70,733,000. In a letter to the committee, dated August 3, we explained in some detail the effect which the House action would have on our activities planned for 1963. We would like in this statement to stress why the House cuts will be so damaging to essential aviation programs.

The gap between our services and public requirements was permitted to widen dangerously during the decade following World War II and only within the past few years has a wholehearted effort been made to close this gap. It is still necessary to include in our budget programs, not only items required to keep up with the growth of aviation, but also projects to help overcome the accumulated deficiencies of the past.

We have daily evidence that we do not yet have a system with the modern equipment and procedures which today's aircraft and aviation activity demands. Two sources of information are available on near midair collisions. One is the reports to the FAA which are carefully investigated. The other is from a contractor that receives anonymous, unevaluated reports from pilots, passengers, and others. The numbers vary widely, but both show we have the same critical,

continuing problem. But that is not new to you or me. In a December 1955 report, which I helped write, the danger was clearly stated. At that time it was considered that it takes 10 years to develop and install a new system of the complexity and scope required to serve modern aviation safely and efficiently. It can take much longer if the development is poorly managed or weakly supported. The United States has been trying hard to produce and install an adequate system for only 5 years. For this reason the existing air traffic control and navigation network still fails to provide sufficient navigational guidance and air traffic control in the altitudes and areas where jet-powered, turboprop and other modern planes are operating and mixing. The effects of this situation include: (1) a lower level of safety than the air traffic control system can be made to provide; (2) limitations on military air training and practice missions that are necessary to our national defense; and (3) costly delays to all users of air space.

Our planning provides for a national airspace utilization system which requires the installation of urgently needed equipments to add to the capacity of our present network; recruiting and training sufficient manpower to operate navigation and communication facilities and to provide safety services; and expanding our research and development activities. Implementation of these plans will require that we continue to operate available facilities effectively in the face of expanding workload while also using funds to operate new equipment and to initiate new services.

OPERATING PROGRAM

The House reduced our requested increase of $58.2 million for the "Operations" appropriation by 50 percent. It might appear from this allowance that we could initiate about one-half of the new programs proposed in 1963. This is not the case. Of the $29.1 million increase allowed by the House, $25.4 million is required to fund for the full 1963 fiscal year programs approved by the Congress for June 30, 1962, including $5.5 million needed to support the flight inspection of air navigation facilities formerly financed under the Department of Defense appropriations. Stating it another way, only $3.7 million of the increase will be available to finance new or expanded activities that will cost $32.8 million.

We realize that the Congress has frequently been concerned by the increases in appropriations needed to finance for a full year programs funded for only a part of the previous fiscal year. However, these costs are of such magnitude that they cannot be absorbed without deleting established programs of higher priority than most of the new items requested for 1963. When we presented our 1962 program to the Congress we made it clear that we were asking for only enough money to finance the new activities for part of the year. This was recognized by the House committee and is covered by its current report. Our new facilities and services are phased into operation throughout the year, the timing being dependent upon a capability to recruit personnel, the availability of technical communications and supplies, and the construction schedules of new facilities. We therefore plan and request funds for new positions and related needs for a 6-months average in the initial year of operation. To do anything else would simply not make management sense, for the choices would be to recruit all new employees on the first day of the fiscal year or to leave new facilities inoperative until the beginning of the following fiscal year. But our practice of asking for only the funds actually needed the first year results in a need for substantial additional money for a full year's operation. We endeavor, where possible, to absorb a portion of these costs. The 1963 estimate was reduced by $4.5 million before we presented it to the Congress as a result of decommissioning and the combining of facilities, cost reductions and the curtailment in low priority programs. We cannot, however, absorb the additional $19.9 million requested of the Congress.

Within the House allowance I would have no alternative but to defer the commissioning of many new facilities that will be available for service and delay the implementation of new services such as radar handoff and positive area control. It must be made patently clear that if the House cut stands, it will not be possible for me to carry forward, in an effective manner, a program which the administration feels is necessary for the safety of aviation.

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RESEARCH AND DEVELOPMENT

The President requested $50 million for this activity for 1963, $10 million less than was appropriated for the 1962 fiscal year.

Upon assuming the Office of Administrator, a very hardheaded review of the past 2-year effort was made. You had given the FAA a total of $113.2 million for the 1960 and 1961 fiscal years. My review convinced me that the research and development effort was not system oriented, was poorly organized and badly managed. So, we did something about it. We canceled contracts and projects that were not in step with our system concept, we deferred action on others thereby reducing our 1961–62 program by $21 million. We immediately started to develop an integrated system plan. A system plan to meet aviation's airspace utilization requirements. We got a new manager for our research and development organization and recruited from industry an acknowledged authority for Deputy Administrator for Development.

The House reduction would curtail the level of research and development just as we have completed a fundamental reorientation of the Agency's research and development effort and are entering a critical 18-month period which will be devoted to providing a laboratory model of the system of the future. We will desperately need the funds to make up for the lost time and to finance a stepped-up effort to modernize the national system of aviation facilities.

The taxpayers have a capital investment of over $1 billion in the FAA. Our research and development effort must be measured against the task of modernizing and maintaining this type of investment in line with the rapid changes in technology and the increasing complexity of the air traffic control problem. Five percent per year for research and development is barely enough.

You are requested to restore the $15 million reduced by the House.

CIVIL SUPERSONIC TRANSPORT AIRCRAFT DEVELOPMENT

The House reduced the $25 million request to $15 million. With this lesser amount we cannot achieve our 1963 objectives. These, as you know, are to learn enough to determine whether the Government should continue to help industry in the development of an SST. Let me emphasize the importance of this. We believe, someone, some day is going to develop one of these long-range aircraft Other nations are allocating very substantial funds to SST development.

If we are not to be shut out of this area we must do much more work—in powerplant technology, in metals, in the sonic boom. This work is completely coordinated with the valuable basic research being done by NASA, and the Department of Defense's RS–70 program. Only then will we know to what extent the Government should assist industry in its development. If we do not do this research, we will shortly have to answer this very crucial question without adequate background knowledge.

AVIATION MEDICINE

The House action on our appropriation request for this program not only substantially reduced the funds requested, but placed a limitation in the appropriation language on the total funds that could be spent for aviation medical activities within the Agency. We previously had a limitation on aviation medical research but this year's limitation also encompasses our medical standards activity. This activity involves assuring the medical fitness of airmen, air traffic controllers, and other aviation-related personnel; the essential Agency medical participation in accident investigations on which CAB is dependent; and the promulgation and enforcement of the rules and regulations for mental and physical fitness of airmen.

Our adjusted request provided for an increase of $1.9 million over the 1962 fiscal year program level for all aviation medical activities, including $720,000 for operation and rental of the new Civil Aeromedical Research Institute building at the Aeronautical Center.

A limitation of this nature in a selected program of this size does not appear necessary or desirable. In fact, the yield in aviation safety per dollar spent is very high in this medical program. Some flexibility is needed to enable us to solve unforeseen problems. I urge you to remove the limitation from the appropriation language and to accept my assurance that a tight control will be kept on this program.

Rather than repeat or expand further on the data included in my appeal letter, I would like to review for you gentlemen some of the things we have done to help us chart our course and also some of the improvements which we have made in our managament.

WASHINGTON INTERNATIONAL AIRPORT

With respect to the appropriation of operating funds for the new International Airport, I urge your restoration of the House reduction of $675,000. As I indicated in the letter transmitted to you last week, the House reduction would force a delay in our planned opening date. When we were before your committee last year, we assured you that we would complete an operable airport with the additional funds we were then requesting, and set a target date of the fall of 1962, for start of operations.

We are now working up a dedication program for a lovely, cool weekend when the public will be invited to inspect the world's newest, best and most beautiful jet airport. At that time, you will be able to drive out the George Washington Parkway, along the newly completed McLean Bypass (which the State of Virginia is constructing), and along the 14 miles of access highway built as part of this airport project. Automobile parking lots will be completed and many of the terminal building facilities will be operational. By that, I mean that ticket counters will be finished; newsstands, the coffee shop and other key concessions will be operating; and six mobile lounges and their "docking" gates will be in service.

Runways, taxiways, aircraft parking aprons, navigation aids, traffic control facilities, fire-crash equipment, and the aircraft fueling system will be service tested and in operation. Airport limousine, bus and taxicab service will be available, along with baggage checking, flight insurance, rent-a-car, and banking services.

The airport will not be in a completely finished, polished, and turn-key status, however. There will be no hangars. Several concessionaires will not have completed their installations. Airlines will still have some of their installations to finish. Some of our own construction such as utility extensions to the hangar area, our permanent warehouse and maintenance shops and the aircargo building will not be completed. But all essential facilities and services for both passengers and air carriers will be available.

Last year I described two studies which the President had directed and which were expected to have a substantial impact on the policies and operations of the FAA. One was the national aviation goals study (Project Horizon) and the other, the study of the safe and efficient use of airspace (Project Beacon). These studies have been completed and their findings emphasize that the United States has not yet developed the national aviation system required to meet the need for public safety, for efficiency in the use of the airspace, for a strong national economy, and for the national security.

These studies and their findings have a direct bearing on what we shall be doing in the months and years to come. It has been a period of reexamination and rededication as well as day-to-day operations.

PROJECT HORIZON

The report of this study group, which was submitted to the President on September 5, 1961, contains a useful analysis of the problems and prospects of aviation in the decade ahead. It also sets forth 24 national aviation goals with recommendations as to how they might be attained. Throughout the report we find the theme that the United States must maintain a position of world leadership in all phases of aviation, with safety as the aim and watchword. The report deals with many controversial questions and some of its proposals will require further resolution in the executive branch. It is, therefore, being reviewed by the responsible departments and agencies and plans of action are in some areas still to be formulated. It is also being used as a stimulant to sound perspective and policymaking.

PROJECT BEACON

The report of the task force on air traffic control uses was submitted to the President on November 1, 1961. This study entailed a thorough review of the present air navigation and traffic control facilities and associated research

and development programs by some hard-thinking systems engineers. In general, the task force found that current efforts to assure safety and efficiency in aviation were proceeding well. It also concluded that the present system was being expertly operated by highly skilled operators. It was, however, unable to find evidence of a unified system plan that would meet onrushing requirements of safety, and concluded that major improvements must be made to assure safety while accommodating the traffic growth which will be experienced during this decade.

Because we are now tolerating risks in the airspace that a modern system would minimize, because a projection of this risk into the future is unacceptable for the Nation in the sixties, the President has asked me to begin at once to carry out those recommendations of the report which would move the airways program forward rapidly and efficiently. He also requested that in the course of implementing the recommendations of the report that I prepare a plan and design a system to utilize those elements of the air defense system which can be advantageously used in meeting air traffic control requirements. Accordingly, a system design team has been established to recommend a plan for implementing the appropriate recommendations of the task force. We are currently evaluating the team's preliminary report, a report, incidentally, which for the first time for the Agency compiles in one document a unified system plan and design together with the logic, the limitations, and the assumptions behind the design.

As a matter of urgent national policy we are moving toward positive control and assured separation. In the congested areas and particularly where civil and military aircraft mix at higher altitude and at airports, we are moving away from the permissive attitude of the past and the dangers of see and be seen. The next step will be for our research and development personnel to devise experimental working prototypes of each element of the system.

NORTHERN TIER

I am happy to tell you that an agreement has been reached on the joint use of three U.S. Air Force SAGE Direction Centers at Great Falls, Mont., and Minot and Grand Forks, N. Dak., for conducting both air traffic control and air defense operations.

Availability of these three SAGE center radar facilities will help FAA to serve an area not now adequately covered by existing FAA radar and will, in conjunction with additionally programed FAA radar, speed up the Agency's plan to expand positive control service over the 48 contiguous States during 1963.

IMPROVED MANAGEMENT

As an executive and lawyer fresh from my own firm, I told you last year that I considered my job as a massive management task. In any program that is as large and has expanded as rapidly as that of the FAA, opportunities exist for improving management in a manner that will result in savings to the taxpayer without lowering standards of service. I told the committee last year that I would carefully review the use of our resources with the objective of conserving funds and obtaining the most effective use of appropriations. I again wish to assure you that if the Congress appropriates the funds requested for 1963, that money will be prudently managed so as to provide necessary services to aviation at the lowest possible cost.

In order that you may have greater assurance that our good intentions are being matched by action, we would like to indicate briefly how we are attempting to strengthen our management and to tell you of some of the results to date.

Our most important single act has been the decentralization of responsibilities for local operations, including a complete reorientation of the role of the top officials of our regions. The head of each of our seven regions is now an Assistant Administrator of the Federal Aviation Agency, reporting to me. He is fully responsible for carrying into operation our national policies and programs within his region. To assure the success of the decentralization, we have placed the most capable managers in the entire Agency in Assistant Administrator posts. The Washington office officials will henceforth concentrate on establishing policies, defining program objectives, formulating standards, evaluating the effectiveness of regional operations, and helping me hold our field managers fully accountable for the men and money you make available to them.

SOUTHERN REGION

Along with the realinement of responsibilities, it has been necessary to establish a new regional headquarters in Atlanta, Ga., to manage the programs of the FAA in seven of the Southern States formerly included in the southwest region. A region spread from Panama to North Carolina, from Puerto Rico to Texas—12 such States were too large to assign to one Assistant Administrator. Studies made prior to the establishment of the new region indicated that if we accepted prevailing methods of operation in other regions, an additional 350 to 400 positions would be required to staff the regional headquarters of the southern region.

The decision was made that we would use the new region for an experiment in streamlined administration. I am pleased to report that the southern regional headquarters became fully operational on July 1, and we have achieved our objective of limiting our additional requirements for regional headquarters personnel to 100 positions.

Concurrently, all other regional Assistant Administrators are using the experience gained in establishing the southern region to reexamine their headquarters operations.

SAVINGS DURING 1962

During the 1962 fiscal year, within the funds appropriated for the operations appropriation, through improved management, we have absorbed over $8 million for items that otherwise would have required a supplemental appropriation. We needed $1 million to finance the increased cost of travel due to the enactment of Public Law 87–139, which increased the per diem rates for employees. We needed $7 million to implement a reclassification of certain of our air traffic controllers and maintenance technicians authorized by the Civil Service Commission. It took some real belt tightening, but we carried out our programs without seeking supplemental funds of any kind. In the process, 610 positions were eliminated from our 1962 program, with the emphasis being given to the elimination of overhead positions in the Washington and regional headquarters.

CONSOLIDATION OF ACTIVITIES

One of the most significant steps we have taken and one which will result in substantial savings in current and future years, is the development of a comprehensive plan for the consolidation of air route traffic control centers. Over the next 2 years we will reduce the number of such centers in the 48 contiguous States from 29 to 21. This plan, which is now being implemented, was adopted primarily for operational reasons. As the number of centers that handle aircraft is reduced, the possibility of error and threat to safety is also lessened. While this program will require us to spend, within the next year or so, approximately $8 million more than we have programed for the total center program, the Government will, over a 16-year period, realize a saving of approximately $7 million a year, and our requirements for personnel will be reduced by 541 positions. A total 16-year saving in excess of $100 million will result from this program. A reduction of 168 positions and the related savings have already been achieved. The 1964 and 1965 estimates will reflect the amount of these savings.

Four flight service stations are being removed during fiscal year 1962, with a savings of 17 positions. It also should be noted that FAA has assumed the entire military flight service function with available personnel.

During 1963, my program of consolidation and collocation of Agency field facilities and offices will be vigorosuly pursued into other areas, and we have accounted for our expectations herein.

OTHER SAVINGS

We have also kept our facilities and equipment program under careful scrutiny. We have canceled the procurement of a DC–8 aircraft that would have cost $7 million, renting instead the hours we need to qualify our inspection personnel, while we determine the most sensible long-term method of keeping our flying inspectors qualified.

Finally, we have negotiated new landing fees and space rental rates at Washington National Airport which will add more than $500,000 a year to revenues deposited in the Treasury. In addition, we have reached agreement with the airlines for the use of Washington International Airport on a basis which will recover all out-of-pocket operating costs after an initial startup period and per-

mit the retirement of construction costs over the useful life of the Government-provided facilities.

REVIEW OF ESTIMATES

In developing our 1963 estimates we subjected each item to a most careful review. The process we use in evaluating our budget estimates is thorough and is administered by long-experienced officials whose sole objective is to develop a firm program that will provide the most safety and efficiency per tax dollar. Each top official is responsible for personally evaluating the estimates for the functions for which he is responsible before they are submitted to the Agency Review Board. Most of them are with me here today and are accountable to you as well as me. The Review Board then scrutinizes, and frequently reduces, the requests of program offices. Finally, the Administrator meets with the Review Board and assures himself that the budget is one which he is prepared to support. Thus, the estimate before you is one that has been carefully reviewed by me with the help of a staff who are constantly made conscious of their responsibility for conserving the Government's resources. As a result of this review, many desirable projects were eliminated because they could not stand the test of essentiality. Therefore, we believe that we have submitted a budget which calls for only the minimum funds required if we are to keep pace with the imperatives of public safety, the growth of aviation and the demands of an advancing technology.

It is important we keep in mind that, to a degree not common to Government service, our requirements are not controllable by the Agency but rather result from the demands of national defense, air safety and the growing aviation sector of the national economy.

We have a dedicated, largely professional, staff of employees whose efforts have made possible the establishment of a high standard of air safety. They cannot, however, provide for long the services expected of them if they must rely upon procedures and equipments which are unable to cope with the growing volume and complexity of air activity.

SUMMARY OF ESTIMATES

We are requesting $790.3 million in new obligational authority of which $75 million is for airport aid grants for the 1964 fiscal year. In addition, our request includes $20 million to pay obligations that will become due during 1963 under prior years' contract authorization for the Federal-aid airport program. Our request for appropriations (as opposed to new obligational authority) thus totals $810.3 million.

FAA appropriations for the 1962 fiscal year totaled $799.8 million, of which $729.8 million was for new obligational authority and $70 million to liquidate prior years' contract authorization. Although our 1963 request represents an increase of $61 million in new obligational authority, a reduction of $50 million in our requirements for liquidating prior years' contract authorization holds the increase in appropriations to $11 million. The funds requested will finance 47,751 permanent positions, an increase of 3,998 over the 43,753 programed for the 1962 fiscal year. This increase is primarily for field services concerned with improving safety and reliability in aviation, mainly for the following programs:

1. One thousand three hundred and twenty-six positions for the operation and maintenance of new facilities that will be available for commissioning during the 1963 fiscal year. These facilities were constructed from funds authorized by the Congress in prior years.

2. Four hundred and seventy-seven positions to further implement a program of providing constant radar surveillance of each arriving IFR aircraft.

3. Two hundred and fifty-six positions to expand our program of providing positive control over all airspace above 24,000 feet.

4. Two hundred and twenty-five positions to strengthen our program for developing, promulgating, and administering the safety standards, regulations, and rules applicable to aircraft and airmen, and checking the reliability of our facilities.

5. Five hundred and forty positions to enable us to assume responsibility for flight inspection of military facilities.

6. One hundred and ninety-one positions for the installation of facilities procured primarily under prior years' authorizations.

7. One hundred and fifty-three positions for our increased level of research and development.

8. Two hundred and forty-one positions for the National Capital airports, primarily for the operation of the International Airport at Chantilly, Va.

SUMMARY

In summary, the work we are performing includes a wide range of services necessary to serve the common needs of civil and military aviation in the United States and abroad. Many of our requirements are not controllable by the Agency but result from workloads imposed by the growth in the volume and complexity of aviation activity and defense needs. The full and effective operation of new facilities and an energetic research and development effort are essential if we are to achieve optimum utilization of the airspace. The progress we can make in coping with the problems facing aviation, many of which have caused acute public concern, will be in direct proportion to the resources we have available.

We will try in this hearing to answer your questions and will provide the committee with any additional facts which you may desire.

APPROPRIATIONS 1962 AND ESTIMATES 1963

Senator MAGNUSON. For the purpose of the record, the total appropriations were $874.8 million last year. The budget for this year is $810.8 million—$64 million difference. The House recommended $739,625,000, or minus $135,175,000 over the 1962 appropriations and minus $71,175,000 over the 1963 estimates, and they involve several items.

Now, let us take "Operations" first.

OPERATIONS

Operations, $434 million last year, $492 million for this year, and the House recommended $463 million.

HOUSE ACTION

Mr. HALABY. The House reduced our requested increase of $58.2 million for the "Operations" appropriation by 50 percent. It might appear from this allowance that we could initiate about one-half of the new programs proposed in 1963 but this is not the case.

Senator MAGNUSON. Where are you in your statement?

Mr. HALABY. Page 4, sir.

Senator MAGNUSON. Page 4, all right.

All right, on page 4 this deals with the operating program. You might as well read that and then we will get it in.

EFFECT OF HOUSE CUT

Mr. HALABY. The House reduced our requested increase of $58.2 million for the "Operations" appropriation by 50 percent. It might appear from this allowance that we could initiate about one-half of the new programs proposed in 1963. This is not the case. Of the $29.1 million increase allowed by the House, $25.4 million is required to fund for the full 1963 fiscal year programs approved by the Congress for June 30, 1962, including $5.5 million needed to support the flight inspection of air navigation facilities formerly financed under the Department of Defense appropriations. Stating it another way, only $3.7 million of the increase will be available to finance new or expanded activities that will cost $32.8 million.

FINANCING FULL-YEAR AFTER PART-YEAR PROGRAM

We realize that the Congress has frequently been concerned by the increases in appropriations needed to finance for full year programs funded for only a part of the previous fiscal year. However, these costs are of such magnitude that they cannot be absorbed without deleting established programs of higher priority than most of the new items requested for 1963. When we presented our 1962 program to the Congress we made it clear that we were asking for only enough money to finance the new activities for part of the year. This was recognized by the House committee and is covered by its current report.

HALF-YEAR FUNDS REQUESTED

Our new facilities and services are phased into operation throughout the year, the timing being dependent upon a capability to recruit personnel, the availability of technical communications and supplies, and the construction schedules of new facilities. We therefore plan and request funds for new positions and related needs for a 6-months average in the initial year of operation. To do anything else would simply not make management sense, for the choices would be to recruit all new employees on the first day of the fiscal year or to leave new facilities inoperative until the beginning of the following fiscal year.

ABSORPTION OF ADDITIONAL HALF-YEAR COSTS IMPOSSIBLE

But our practice of asking for only the funds actually needed the first year results in a need for substantial additional money for a full year's operation. We endeavor, where possible, to absorb a portion of these costs. The 1963 estimate was reduced by $4.5 million before we presented it to the Congress as a result of decommissioning and the combining of facilities, cost reductions, and the curtailment in low priority programs. We cannot, however, absorb the additional $19.9 million requested of the Congress.

HOUSE CUT DELAYS IMPLEMENTATION OF SERVICES

Within the House allowance, I would have no alternative but to defer the commissioning of many new facilities that will be available for service and delay the implementation of new services such as radar handoff and positive area control. It must be made patently clear that if the House cut stands, it will not be possible for me to carry forward, in an effective manner, a program which the administration feels is necessary for the safety of aviation.

LIST OF FACILITIES TO BE DELAYED

Senator MAGNUSON. Now, are these new facilities you are talking about, we will go into this later, but are they in the general field of aid to safety and navigation?

Mr. HALABY. Yes, they are.

I think if you wish to turn to page 4 of the appeal letter, I can give you a list of them.

Senator MAGNUSON. All right, I think we ought to have that in the record.

Mr. HALABY. Just one word of introduction, sir.

PRESENTATION TO HOUSE

You will recall that we put together a program, reviewed it carefully within the Agency, and then presented it in about 6 inches and several hundred pages to the Senate and House Appropriations Committees. The estimate lays out all of the requirements that were developed the previous fall and winter and presented to the Budget Bureau, the President approved them, and then they are presented to the Congress.

We gave the House Appropriations Committee everything it asked for in the name of the Congress.

As you know, we in this Agency live in a very clear fish bowl. There is no intent or ability to hide anything because we have a free press and an open society and a very active and skeptical Congress. So we gave the House Appropriations Committee all the information it requested and it is their prerogative and procedure to make the necessary information available to the full committee, and to the House, and we do not have control over the data that is released for our program, facility by facility, and item by item.

In the ensuing months since this program was put together, of course, changes take place. We have new equipment coming in. We have new procedures that are improvements on the old. So until the appropriations are made and we take a new look almost a year later—in light of the existing situation at that time, do we know exactly which pieces of equipment will be required at which localities for what purpose.

LIST OF FACILITIES

Here is a list that we would have to drop out if the total cut of $71 million made by the House were to stand.

For example, we couldn't operate 18 long-range radars, the construction of which was funded under prior year congressional authorizations. They will be installed and ready for operation during the 1963 fiscal year. If the House cut stands, we will not be able to commission most of the facilities when they are available, and in addition to long-range radars there are 18 air traffic control radar beacons, 13 airport traffic control towers, 5 airport surveillance radars, and the remainder of the list on pages 5 and 6.

Senator MAGNUSON. We will put that in the record in full.

Mr. HALABY. That is 4 and 5 of the appeal letter.

(The information referred to follows:)

There follows a list of the major facilities, the construction of which is funded under prior year authorizations, that will be installed and ready for operation during the 1963 fiscal year. Within the House allowance we will not be able to commission most of these facilities when they are available for service during the 1963 fiscal year.

Long-range radars	18
Air traffic control radar beacons (for long-range radar)	18
Airport traffic control towers	13
Airport surveillance radars	5
Precision approach radar	1
Airport surface detection equipment	1
Air traffc control radar beacons (for airport surveillance radar)	24
Directional finding equipments	10
International flight service station	1
Very high frequency omnidirectional radio range	49
Very high frequency Doppler omni radio range	10
Distance measuring equipments	181
Flight service stations	2
ILS's	22
Standard approach lights	53
Runway and identification lights	11
Visual glide slopes	42

RESTORATION REQUESTED

Senator MAGNUSON. Then, in addition, on page 5, you have seven other programs that you say would have to be cut out.

Mr. HALABY. Yes, sir.

I think this——

Senator MAGNUSON. But on page 6–A you are requested to restore $28,658,000 on the above listed programs.

Is that a correct figure?

Mr. HALABY. Yes, sir; that is a correct figure.

Senator MAGNUSON. So that if $28,658,000 of the House cut is not restored, the items beginning on page 4 and the programs beginning on page 5 to the middle of page, you cannot proceed with those programs this year?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. What is the rest of the amount?

RELATION OF RESULTANT DELAY TO PROGRAM

Mr. HALABY. In a moment, when you are prepared to receive it, I would like to show you the relationship between these services that we would not be able to provide and our total program.

Senator MAGNUSON. All right.

LIMITATION ON AVIATION MEDICAL PROGRAM

Mr. HALABY. But the next most serious item is the limitation on the aviation medical program.

Senator MAGNUSON. Now let's get this in perspective.

The items we talked about involved $28,658,000. The next item you come to involves $4,920,000 limitation and 304 positions which was placed in by the House.

Mr. HALABY. Yes, sir.

Senator MAGNUSON. And it is suggested that we either remove the limitation or increase the amount to $5,869,000 and 324 positions?

Mr. HALABY. That is correct.

Senator MAGNUSON. Twenty more positions.

Is this an old story?

NEED FOR MEDICAL RESEARCH

Mr. HALABY. Yes, sir; I think it is. I believe it is fair to say that there is a continuing question as to whether or not we need to do aeronautical medical research and conduct medical surveillance over the pilots, engineers, mechanics, and our own controllers.

We are absolutely convinced that the only way we will be able to improve our regulations, improve the pilot and airmen safety, and controller durability and safety, is through this research program. We have had quite a bit of cooperation in this work from most of the people of the aviation community. One of the increases in this program is to finance the rent of a very fine civil aeronautical research institute building which will open this fall. The 1963 cost of this building in which we will have the major American aeronautical medical research for civil aviation, is about $825,000 including rent, maintenance, and utilities. This limitation, in effect, says, if you want to continue the rest of your program you had better not pay the rent on that building. The alternative is to cut the rest of your program and pay the rent. We feel that we have been conservative in this program and we are determined to see that it does not duplicate the military medical work which is mostly concentrated on space now or the National Institutes of Health program or any other public health program.

We have a committee to oversee this program and prevent duplication, and I personally feel that we can get more productive, creative work with fewer people than having a whole horde of white-coated medical researchers.

DIFFERENCE BETWEEN 1962 AND PRESENT LIMITATIONS

Senator ALLOTT. What did you tell us last year, Mr. Halaby? It is my understanding that you objected to the limitation that was placed on it last year, which was what, 130 personnel?

Mr. HALABY. This is a different limitation than that. This limits the entire program. There is a research program and then there is an operating medical program.

Senator ALLOTT. Yes, and we went into this in some considerable detail last year, you and I, as I recall it.

Mr. HALABY. Yes, sir.

Senator ALLOTT. Are you saying here on page 7 of your letter that you think there should be no limitation on this at all?

Mr. HALABY. That is correct.

Senator MAGNUSON. Either one or the other?

Mr. HALABY. Here is the problem: The bill last year contained limitations of $2 million on the total cost of aviation medical research. The change in the language recommended to broaden the limitation include all expenses in aviation medicine including medical research, equipment, medical standards, and other costs. Other agen-

cies are doing similar research and the bill limits the activities of FAA in this field to $4,920,000 and 304 positions which is $946,000 and 20 people more than they had in 1962.

Senator ALLOTT. This is what I was coming to.

Senator MAGNUSON. Yes.

Senator ALLOTT. Well——

ARBITRARY CEILINGS

Mr. HALABY. I think this should be treated like other essential parts of the program. We come to you with what we believe to be required. You examine it and you authorize an appropriation and we are left some discretion, but only within the total authorization, and it is in that manner that I think we can get the most out of this program, rather than picking this out and saying there is an arbitrary ceiling on the number of medical employees and the dollars they may spend.

Senator ALLOTT. Of course, we do put limitations on other areas, too, repeatedly, as to number of personnel.

Mr. HALABY. Yes, sir. They are exceptional, but there are numerous other limitations.

APPLICATION OF LIMITATION

Senator MONRONEY. Is it not true that this limitation applies not only to medical researchers but also to custodial employees? Even though their salaries would be much less you would still have to sacrifice many of the people who have been working in this program for 2 or 3 years, and that would cripple it. I am informed that three Ph. D.'s in medical research have left in the last few days because of this limitation, figuring that the Congress was not going to maintain an adequate research laboratory for these necessary studies in aviation medicine.

Certainly the least we could do would be to remove this limitation on the janitorial and custodial employees that would be required to maintain this new research laboratory which exists now, nearing completion.

Further, I understand that this cut must be restored to buy the necessary equipment for the laboratories. They have the building and they have paid for the building.

Is that a fair statement?

Mr. HALABY. Yes, sir.

The limitation, Senator Allott, has now been placed over the entire program.

PERSONNEL NEEDED IN RESEARCH

Senator MAGNUSON. All right, let's take it a different way. How many people do you want in your research team down there? I am talking about the medical facilities itself.

Mr. HALABY. The Oklahoma City civil medical research program—I am going to have to ask Dr. Goddard, who is our civil air surgeon, to back me up on this—requested 120 people. Out of that 120 people, I believe 18 or 20 are janitorial and maintenance support for the building, 25 are for research supervision, and 75 are direct researchers.

We had a limitation on medical research last year. Now it is proposed to put the whole medical program under limitation.

Senator ALLOTT. Including your general medical research, medical standard?

WORK OF MEDICAL PERSONNEL

Mr. HALABY. Yes. Let me just give an example of the medical standards program.

We have the question of examining pilots and our own personnel to see if they are physically qualified for air transport rating or air traffic controller rating. We also examine private physicians and designate them as medical examiners so the airman whose annual physical or semiannual physical or biannual physical comes up will get his examination through a designated medical examiner. This is part of our aviation medical standards program.

Senator MONRONEY. How does the personnel break down, Mr. Halaby?

SUMMARY OF MEDICAL SERVICES REQUEST

You said 125 medical researchers and 75 technicians in the medical research field; is that correct?

Senator ALLOTT. That is what I would like to get.

Mr. HALABY. I don't believe they have a summary in front of them, so I will read from it, if I may.

The total request for both categories, for 1963 is 324 at $5,869,000.

The research portion, the people working at the aeronautical research center in Oklahoma City, 120.

Senator ALLOTT. Now, this is a part of the 324?

Mr. HALABY. Yes, sir; 120 at $2,572,000.

In Washington and at Georgetown University, we have an additional 25 at $370,000 and 10 to plan and supervise the entire program, making a total number of personnel of 155 for medical research. There is also a request for contract research of $206,000. The total request for aviation and medical research is 155 persons, and $3,326,000.

Senator MONRONEY. They have to train all medical examiners who examine pilots, transport pilots, and air traffic controllers and prepare for the examinations, as well as appeals from private flyers, is that correct?

Mr. HALABY. If I could just finish the answer to Senator Allott's question, the number in the nonresearch area, the operating area for 1963, the total request is how much?

Mr. HARPER. 169 positions and $2,543,000.

Mr. HALABY. Those are the men who work in our seven regions with the customers of the Agency, rather reluctant customers often, because they are being physically examined. These are the employees who help train doctors to be aeromedical examiners. They are the ones who supervise the appeals as they come up to me for exceptions to our medical standards.

Most of those exemptions are cases where a man has had a heart attack, has diabetes, or has had some kind of psychosis or neurosis. We would appreciate it if you would give these funds and positions, and believe, I guess, a little on faith that we are going to hold this program down. We both know that we will face you again next year and you have a constant check on us, but we request that you not put a

limitation so that if we need to go up $5,000 or $10,000 because we are on the trail of something very important that we can do it.

NEED FOR RAISING LIMITATION

If you feel there must be a limitation, we would appreciate it if this limitation were raised to $5,869,000, in order to give us what we need.

Senator ALLOTT. Either in terms of positions or money or both?

Mr. HALABY. I presume if you raised it you would do both.

Senator ALLOTT. You would like to have both.

Mr. HALABY. Yes, sir.

Senator SALTONSTALL. Mr. Chairman—are you through?

Senator ALLOTT. Yes, for the moment.

CHOICE OF FACILITIES

Senator SALTONSTALL. May I ask this question, on the broad general subject you list on page 4 to the top of page 5, a very substantial number of facilities that have been authorized and funded and already put into operation during fiscal 1963.

You say you are going to need the $28,600,000, or a substantial amount of it, if you are going to put these facilities into operation. Now, my question is this: Will the facilities go to waste if we don't give you the money to operate with? The House has included $15 million for equipment and facilities. All these bills, as you well know, are a compromise to a great degree. If we had to compromise with the House from the point of view of safety in aviation and service in aviation by this Agency, it would be much wiser to try to insist on the operation of these facilities that are now being authorized and built rather than to build new facilities.

Am I correct in that statement?

Mr. HALABY. Well, sir, that would be a judgment for the Congress to make. We believe we must go forward with both and that this is the worst possible time to make what, I think, would be an unwise choice.

Senator SALTONSTALL. I am not saying I am in favor of it. It would seem to me it would be very unwise for us to have 18 long-range radars or 49 very high frequency omnifrequency directional range which you exempt and which are already built and ready to be installed that we can't operate rather than to say build something new that will require additional operations a year from now.

I am not saying I am in favor of it, but if you would like to compromise, it is much wiser to compromise that way than the other way around, is it not?

Mr. HALABY. Well, sir, I just feel that we need both of these items so badly that the choice can be readily made by restoring the full amount.

CRISIS IN AIRSPACE

If we weren't in the midst of what I feel very strongly is a crisis in the airspace and if we weren't going to be in the midst of it for at least 3 or 4 or 5 more years, then I think we could juggle choices like that, but knowing what I knew before I came to this job and having grown much older and a little bit wiser in the last 17 months, I just

am very certain that this is not an area in which to compromise or curtail yet. I can assure you that that day is coming and we have a very definite step-by-step systematic program for bringing it to you as soon as we can, but it is not here yet.

I think the path is smooth compared to that of a political executive who seeks to close down some facility.

CONSOLIDATION OF ROUTE TRAFFIC CONTROL CENTERS

We have in the last few months consolidated 8 out of 29 air route traffic control centers. We consulted all of those involved. We convinced most of them that this was in the interest of economy and safety and that we will, over the coming 16 years—the useful life of a center—that we will save over $100 million.

Now, we are not just figuring out ways to spend money. We are figuring out ways to save big money, but we don't do it as we see it by cutting back on equipment needed or by leaving the already installed equipment inoperative.

OPERATION OF PRESENT FACILITIES VERSUS CONSTRUCTION OF NEW ONES

Senator SALTONSTALL. I wouldn't expect you to take the position you are advocating, but we have got to be practical and be realistic. What I want to try to find out is which would be the desirable way to compromise if we had to compromise.

If we had to compromise, it seems to me it is perfectly clear we have got to operate what we have built first and then decide what to do, how much new building to establish.

That is a fair statement, is it not?

Mr. HALABY. There is very great logic in that, Senator. I guess, as you say, I am an advocate and as such I could not admit that this was a fair choice.

Senator SALTONSTALL. I respect you for that opinion. You would not be any good on your job if you didn't have it.

MEDICAL FACILITY IN OKLAHOMA CITY

Senator ELLENDER. Mr. Halaby, as I understand it, what you are trying to do is to carry out what Congress helped the Agency to establish and that is this hospital or whatever facility you call it, Oklahoma City.

Mr. HALABY. Yes, sir.

Senator ELLENDER. Now you speak of rental of the amount of $700,000-some-odd.

Mr. HALABY. Yes, sir.

Senator ELLENDER. Who owns the hospital, the facility?

OWNERSHIP OF HOSPITAL

Mr. HALABY. There is a rather unique arrangement between the Government and the Oklahoma City Airport Trust. It is a public corporation set up under legislative authorization in the State of Oklahoma. This airport trust which has public members as trustees has bond authority and issues bonds at the going rate and then builds

and leases on a reasonably long-term lease to the Government various buildings at the aeronautical center.

This building called the Civil Aeromedical Research Institute is the latest in what is the outstanding civil aviation center of the world. We pay them rent on a long-term lease at about the most economical rate of any rental in any Government building anywhere.

Senator ELLENDER. Was the building in question constructed for these purposes?

Mr. HALABY. Yes, sir.

PAYMENT OF RENT

Senator ELLENDER. And we are obligated to pay this rent?

Mr. HALABY. Yes, sir.

Senator ELLENDER. And if we don't pay it? I mean if we fail to pay it, there would be an obligation against us?

Mr. HALABY. Well, we would not default because we are obliged to pay it.

Senator ELLENDER. Well, you would have to close it, would you, if you didn't have the money to operate it?

Mr. HALABY. We would have to cut into the staffing to maintain it, the equipment to put into the laboratory and the number of people who would man it.

RELATION TO ARMED SERVICES

Senator ELLENDER. To what extent is there cooperation between your Agency and, let's say, the armed services—they get millions of dollars for research in the same field that we are talking about now.

Mr. HALABY. Yes, sir.

If I may, I would like to refer to our expert on that, the Civil Air Surgeon, who is Dr. James Goddard. He is a very highly respected member of the Public Health Service and he is in overall charge of both the medical standards operating program and the research program.

I would like him to tell you what safeguards he has built into this program, some of which he is not too happy about because he feels he could spend more money wisely and he can tell you just what we do to avoid any duplication.

Senator ELLENDER. What I would like to have is the relation to facilities already constructed. We have made studies in the past through the armed services and NASA, and I am just wondering why couldn't it be handled together?

COST OF BUILDING

Senator MAGNUSON. Before we do that, how much did the building cost that you are in?

Mr. HALABY. $5.9 million, approximately $6 million, and it will be completed and ready to open this fall.

Senator MAGNUSON. And you are paying them $750,000 a year?

Mr. HALABY. $825,000, including utilities and maintenance.

Senator MAGNUSON. Why would that be lower than any rental?

Mr. HALABY. Well, this is laboratory space and it has special construction and facilities.

Senator MAGNUSON. Well, it doesn't make any difference what it has.

Mr. HALABY. It has 215,000 square feet of space.

Senator ELLENDER. One percent a month.

Mr. HALABY. It is special purpose research laboratory space.

Senator MAGNUSON. I want to know what it cost them to build the building.

Mr. HALABY. I see what is troubling you. We have got maintenance and utilities in this figure. The actual rent——

ANNUAL PAYMENTS

Senator MAGNUSON. How much are you paying?

Mr. HALABY. To the landlord?

Senator MAGNUSON. Yes.

Mr. HALABY. $541,000 annually.

Senator MAGNUSON. All right. On a $6 million building?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. That pays it off in 11 years.

Mr. DEAN. The amortization for the building as a whole would be 20 years, but specialized equipment built in the building will be amortized within 10 years.

Senator MAGNUSON. But they put in $6 million and you are giving them $540,000 a year.

Mr. DEAN. In annual rent. That is correct.

Senator MAGNUSON. Yes. It doesn't make any difference what is in it or what it is. They are getting back in 11 years what they put in.

Mr. HALABY. The rent drops at the end of the amortization period to——

Mr. DEAN. To mere cost of insurance.

Senator MAGNUSON. Let's have it clear. You are paying them for the building.

Mr. DEAN. This is correct. The only way in which the airport——

Senator MAGNUSON. Why didn't we build it ourselves?

ARRANGEMENTS WITH MUNICIPALITY

Mr. DEAN. The aeronautical center, Mr. Chairman, is a major facility which Oklahoma City has provided for our school purposes, and hangars, because they own the airport. They set up a trust to accomplish this.

Senator MAGNUSON. This is a kind of peculiar lend-lease bill with the FHA and which we abolished.

Senator ELLENDER. Senator Magnuson, I just remarked to my good friend Senator Monroney that the two doctors that we heard seem to want to put up something along the same line, to have a center for civil defense training.

Senator MAGNUSON. I don't say it is a bad deal for the Government, but it is not any particularly good deal financially to pay for the building in 10 years, 11 years.

Mr. HALABY. We took into consideration what it would cost to lease the building elsewhere and what it would cost to build the building.

CONGRESSIONAL PROHIBITION AGAINST LEASING

Senator MAGNUSON. The Congress about 2 years ago, both Appropriations Committees, said no more of this leasing business. If you need a Federal building, come in and let it stand on its merits and build it. We cut it all out. We still have a few hanging along that we had contracts with but we abolished the whole principle of lend-lease that got started with post offices and rentals because we found—we had the figures. You remember, Senator Ellender, it cost us about 40 to 45 percent more in the long run. So we said let's build them and then we own them.

Mr. HALABY. If I could go back a little bit, well before my time, but when the Senator——

Senator MAGNUSON. Yes, it was before your time. It was a peculiar arrangement. We kind of eased into it, got into it and couldn't get out.

Mr. HALABY. Well, I am not sure if I were running a corporation but what I wouldn't regard this as a good one to stay in, Mr. Chairman. I don't want to go back and explain why it was conceived this way, but here was a field, here was a city willing to put up the dollars at cost, build the whole complex in one compatible, integrated center.

Senator MAGNUSON. If you paid them $500,000-some a year, there are a lot of cities that are willing to do that.

Mr. HALABY. Well, it is a cost. They are not making anything on it.

Senator MAGNUSON. No, but a lot of cities to get the facilities there——

Mr. HALABY. Yes, sir.

HIGHER COST OF LEASING

Senator MAGNUSON. This is a good place for the facilities because I understand that weatherwise and all this business but I don't think we should create the impression that there has been any great deal of generosity in this Oklahoma Trust group in this building. I mean I don't say it is a bad deal and there were good reasons for going there in the beginning, but we did ease into this. It is too bad that 4 or 5 years ago we didn't build our own building and we are through with it on a regular public building program. In the long run, it costs a little more.

AGREEMENT WITH OKLAHOMA TRUST GROUP

Senator MONRONEY. Mr. Chairman, let me just say this. This committee went into this thoroughly at each level. We had had millions of dollars worth of radar equipment stored in tar paper shacks there in World War II. They needed storage facilities and needed training facilities. The Trust agreed that the Government will get some of the buildings, I think it is at the end of 10 years.

Senator MAGNUSON. We had the right to take title on this lend-lease business, some 10, some 15, some 20, but Senator Ellender and I went into it in great detail and found this cost up from 40 to 48 percent more, so we abolished the whole thing, and I am not complaining where it is located. I think it is good reason for it to go through and you had all these other facilities around, but I just want the record to

show the Oklahoma Trust Co. is going to get their money back to the tune of over $500,000 a year.

Mr. HALABY. Right, and I am fraid I didn't make clear that that cost per square foot was $2.05 for building rent and 48 cents amortized labor equipment. The equipment is on a 10-year amortization base.

Senator MAGNUSON. And I think in all fairness, too, remember, we had General Services go over this on comparable cost figures, but it was just the same as any other lend-lease building we have had.

Mr. HALABY. We have had a similar proposal from at least one other city.

Senator MAGNUSON. Well, I didn't want to belabor the point. I just wanted to bring these figures down.

Doctor, you were going to answer Senator Ellender.

PREVENTION OF DUPLICATION OF SERVICES

Dr. GODDARD. Yes, I am Dr. Goddard, Senator Ellender.

There are three ways in which we work with the military services so that we have no duplication. The first way is that we have appointed representatives from the office of the Surgeon General to our Council of Research Advisers. These are men who are knowledgeable as far as the military programs in medicine are concerned. They review our research programs and point out to us areas where practically we won't have to initiate an activity because they are conducting this type of research.

The second method is that, we are a founder and participant in the National Science Foundation. This is a foundation which is a nonprofit group here in Washington where all research groups are encouraged to submit reports of their projects at the time they initiate them. So here again we have early knowledge of what people in universities and industries are doing that is applicable to our field.

The third method of avoiding duplication is through our participation in professional meetings where we work with the Air Force, the Navy, and the Army.

I should point out at this juncture that the services have most of their investment in aerospace medical research on the space side and this is appropriate. This is the direction their mission is pointed. Yet, we in civil aviation continue to have problems that require solution.

ABANDONMENT OF FORMER PROGRAM

Senator ELLENDER. But this space problem came up not too long ago. Before that, they were doing the work that you are now contemplating doing, using the facilities—did they abandon that?

Dr. GODDARD. Yes, sir.

Senator ELLENDER. And you are taking it over?

Dr. GODDARD. Yes, sir. Up to 1935, the civil authority could rely on the work of the civil aviation work of the School of Medicine both in Texas and in Pensacola.

Senator ELLENDER. Have they abandoned those facilities?

Dr. GODDARD. They are there but are working in space medical research and not carrying out the programs which they did in civil aviation, and we have asked the Surgeon General for cooperative

projects to save the cost of large pieces of fixed equipment. To the extent that these are available to us, we make use of them, but in most instances these facilities are completely tied up with space medical research projects.

OTHER FACILITIES IN USE

Senator ELLENDER. Have you any facilities at all other than the one we are now talking about, and if so where is it located?

Dr. GODDARD. We are now housed, Senator, in a temporary facility in Norman, Okla., some World War II barracks which do not give us the heavy equipment, the type of facilities, the laboratories that are needed and provided in this new building. We think we can do a much better job. We are proud of the contributions we have made in the last year and are looking forward to producing even more when we get into our new building.

WORK WITH UNIVERSITY OF OKLAHOMA

Senator ELLENDER. Now this work you contemplate doing, is it in conjunction with a university or professors at a university?

Dr. GODDARD. I would point out, Senator, that we have 32 of our staff who hold appointments at the Medical School of the University of Oklahoma, so we have a close tie-in and we think this is very advantageous.

RESEARCH AT GEORGETOWN MEDICAL SCHOOL

Additionally we have a research facility located here at Georgetown Medical School, which is a clinical research facility directing its efforts mainly toward solving the problems of a physiological age rating.

You will recall we had this problem of age 60 with our air carrier pilots and as physicians we didn't really like to say when you reach your 60th birthday chronologically that means you have to quit.

Senator ELLENDER. Personally.

Dr. GODDARD. Right, but being practical we said this is the best we can do. Now, we are doing research which we hope can enable us to get around that.

SPACE AND PERSONNEL ARRANGEMENT WITH UNIVERSITIES

Senator ELLENDER. If the Congress gives you the money you now request, will you continue the one in Georgetown?

Dr. GODDARD. Yes, sir, that is scheduled for continuation.

Senator ELLENDER. Is that in conjunction with the university also?

Dr. GODDARD. Yes, they work very closely with us.

Senator ELLENDER. How much did you contribute toward the payment, let's say, of the operation of Georgetown or Oklahoma, the University of Oklahoma?

Dr. GODDARD. Sir, we operate a facility housed in a portion of Georgetown Medical Center. We simply lease that space from them. We do not contribute.

Senator ELLENDER. And use their professors?

Dr. GODDARD. And use their professors and, in turn, we permit some of our staff to carry out visiting rounds and lecture occasionally.

RESEARCH CONTRACTS WITH COLLEGES

Senator ELLENDER. The reason I am asking you, Mr. Halaby, is this: I also served on the Subcommittee on Armed Services and it is in the record of Armed Services of this year's hearings that except for the fact that we contributed heavily to operate Princeton University, Princeton University would have closed. Harvard is another one. Yale, I think, is in it too. In other words, the contributions of our research money are just growing like Topsy. A lot of universities are becoming dependent on research grants. I believe there ought to be some way to end that.

Mr. HALABY. Neither of these is an instance of that sort where you let a research contract to a university, then they add their overhead and divert their staff from teaching.

Senator ELLENDER. I know, but you pay the professors there.

Senator MONRONEY. No.

Senator ELLENDER. Yes, you do.

Senator MONRONEY. No.

Senator ELLENDER. Well, you are contributing rent.

Who pays the professors at Georgetown for the time they devote to your work? Don't you contribute?

Mr. HALABY. To the individual.

Senator ELLENDER. Certainly. That is what I am talking about.

Dr. GODDARD. Sir, we do have a number of professors who act as consultants to us.

Senator ELLENDER. And you pay them for it.

Dr. GODDARD. And we do pay them as we pay any consultant in the Agency.

Senator ELLENDER. And that pays to operate the university, which is all right, I guess, but I find and—I believe Congress ought to look into it a little deeper—I find that we are going a bit too far in indirectly assisting many of these universities. I want to do it directly if we do it at all, but just doing it through the back door, I don't like.

ADVISORY COMMITTEES

Senator MAGNUSON. Let me ask you, Doctor, do you still have your advisory committee?

Dr. GODDARD. Yes, sir. This is an ongoing activity, the Council of Research Advisers. The next scheduled meeting is October 14, 15, and 16.

Senator MONRONEY. And they contribute a great deal to that whole——

Dr. GODDARD. Yes, indeed, and also we have the Civil Air Surgeons Advisory Council which further pull us together.

Senator MAGNUSON. All right.

Any further questions on Oklahoma?

Senator ALLOTT. Yes, sir.

Senator ELLENDER. Off the record.

(Discussion off the record.)

Senator ELLENDER. One more question I want to ask you:

FLIGHT INSPECTION OF AIR NAVIGATION

Outside of this medical business, I notice that you took over what the Department of Defense did in supporting flight inspection of air navigation. When did you take that over?

Mr. HALABY. It is a progressive program, Senator. The first step was to do some—first let me explain what it is.

The facilities on the grounds have to be inspected and tested to see that they are sending out a signal and that it is being sent in an accurate manner, the way it says it is going to on the chart. It is kind of calibration and constant testing. We do it at high altitude as well as low altitude on approach.

We found that the military were doing this with their airplanes and crews sometimes right alongside of our facility. I would say 3 years, there has been—I am going to ask General Grant, the Deputy Administrator, to supplement this, because here you have the man who set up the Air Force Communications Service and who has been both in the Air Force and in FAA helping to get this military flight inspection into one coordinated program.

INITIATION OF FUNCTION

Now, when did we first start doing this work, General Grant?

General GRANT. It starts on the 1st of September. We are budgeting for it for this year. This would be the first time that we will assume financial responsibility for any portion of the military flight inspection.

Senator ELLENDER. When you say "we," you mean——

General GRANT. I mean the FAA.

Mr. HALABY. We started doing this for the Navy and Army on a reimbursable basis about 2 years ago, didn't we?

General GRANT. I think it was 2 years ago, yes.

TRANSFER FROM AIR FORCE

Mr. HALABY. Now, this $5.5 million would enable the Air Force who are quite willing to transfer some of their aircraft and on a temporary basis some of their crews. We will gladly assume the responsibility and the same airplanes, the same crewmen, the same engineers would do it for all the navigation facilities assigned to both of our programs.

Senator ELLENDER. Your outfit would do it for all concerned, Army and Navy?

Mr. HALABY. Yes, sir. Instead of us being reimbursed by Army and Navy, you would, we hope, appropriate the funds requested, and then all of the appropriations for this purpose would be made to the FAA.

Senator ELLENDER. But I notice you are including their $5.5 million. Does that cover the entire cost that was done by the Army, the Navy, and the Air Force?

General GRANT. This is the amount required to finance the Army and Navy flight checking which we are doing and to take over this function from the Air Force.

Senator ELLENDER. But how much more would you need in the future?

Mr. HALABY. This is a part-year cost. I think the full-year cost is approximately $9 million, isn't it?

Mr. PRILL. It is $9.5 million.

ORIGIN OF FULL-YEAR FIGURE

Senator ELLENDER. Where do you get the figure $9.5 million? Is that what it costs the Army and Navy?

Mr. PRILL. This is the full-year cost.

Senator ELLENDER. But where would you get your figure of $9.5 million? Is that what it costs the Army and Navy to do the work?

Mr. PRILL. No. I can't speak very well for the Army and Navy.

Senator ELLENDER. No, but we are all getting it from the same pocket, you know, Uncle Sam, and I am wondering the extent to which the Army and Navy are reducing their budget in order that you may get this.

Mr. HALABY. They told us what facilities they wanted inspected and how frequently and that gave us a facility and total flying hours count. That was added to the already in progress civil program and the total then for their full-year program was $9.3 million. Because it wouldn't be a full-year program in 1963, we subtracted $3.8 million and we got this $5.5 million.

Now, what it was costing them to do it is a question we will try to ascertain from the Department of Defense so that you will have figures.

DEDUCTION BY ARMED SERVICES

Senator ELLENDER. Well, are they getting out of this picture altogether? Will you have entire charge of it?

General GRANT. That is the plan; yes, sir.

Senator ELLENDER. We are going to find out whether or not they deducted any of this from the other budget.

Mr. PRILL. We have worked on this with them, Senator.

Senator ELLENDER. How is that?

Mr. PRILL. We have worked with the Department of Defense closely on this and we are not naive about this question. The big difficulty for us would be separating out the costs of the large Military Establishments for this particular part of the work. It is our belief that we will do this at a considerably reduced cost because we are incorporating it into our own workload.

Senator ELLENDER. I know that.

Mr. PRILL. So that there will be overall intermediate and high altitude programs. The military inspection for these altitudes is almost done free of charge because you can read it on our automatic processing tapes.

Senator MAGNUSON. You want to make a bet it is still in their budget?

Senator ELLENDER. Sure it is. I am surprised they will even permit you to do this, give up the power they have. I wouldn't be at all surprised that this amount is still in the budget. So we will just look into that a little later.

Senator MAGNUSON. I hope the committee will stick to these regular items here. This is on operations now.

Senator ELLENDER. That was a regular item.

FLIGHT INSPECTION DUTIES, 1962

Senator MAGNUSON. Yes. That is on operations.

Senator ALLOTT. First of all, my recollection is—and if I am wrong I would like to be corrected—last year you testified you had already taken over Alaska and somewhere else. Is this correct?

Mr. HALABY. You are talking about military flight inspection?

Senator ALLOTT. I am talking about flight inspection.

It is my understanding that you either at that time had taken over part or wanted immediately to take it over. What I want to know is what is the exact status of this now. Have you taken it over or not?

General GRANT. This was the military advisory service that we took over in Alaska and have now taken over throughout the United States. We are discussing the facility checking service which is the one I am talking to.

Senator ALLOTT. Right. Where are we today on the flight inspection service we are going to take over?

Mr. HALABY. Let me go back very briefly.

COMMON CIVILIAN-MILITARY SYSTEM

You recall when you passed the Civil Aviation Act you said you wanted a common system so it would cover civilian military aviation. That meant that traffic control navigation and communications facilities to the extent that the military were willing would be financed and operated by the Federal Aviation Agency.

Now, one of the first steps that was taken was in what we generally refer to as the communications service. This is a flight plan and flight following service the responsibility for which has been completely assumed by the Civil Aviation Agency.

Senator ALLOTT. As of this year. Completed this year.

Mr. HALABY. I believe it was completed last year.

Senator ALLOTT. Last year.

Mr. HALABY. Additionally, the tower here at Andrews Air Base which is about to become the busiest airport in the world is operated by the Federal Aviation Agency staff. We also operate and maintain radar approach controls at some military bases.

Then last year I believe your recollection is correct, we were about ready to take over the military flight inspection in Alaska as the first step in the program.

After Alaska, because that is a largely FAA-military operation we would go on into other areas and do some of this work abroad as we now do for civil aviation in Germany, in Lebanon and in Egypt.

Senator ALLOTT. Did you take over Alaska?

Mr. PRILL. No, sir.

General GRANT. This is programed for September 1. Everything is all set.

Senator ALLOTT. The whole system of inspection is programed for September 1 if you get the appropriation?

General GRANT. It is to be phased in starting in September and it will be completed by next spring.

Mr. HALABY. That is why we are asking for only part-year funds.

Senator ALLOTT. So if these funds are accredited, we could expect from here on out, this program would be funded entirely by FAA and by the end of this year you would have taken over the operation of inspection of facilities completely. Is this correct?

INSPECTION FUNCTIONS

Mr. HALABY. Yes, sir. You realize there will still be a great number of military facilities operated by the military, that we are not taking over to operate. We are simply inspecting the calibration and alinement and slope of their facilities, as well as the civil facilities.

Senator ALLOTT. I am talking about calibration and inspection of the navigation facilities themselves.

Are we talking about the same thing?

Mr. HALABY. Yes, sir. I was concerned that you thought we were taking over the actual towers and radar approach controls.

Senator ALLOTT. You are in some instances.

Mr. HALABY. Only in a few, yes.

Senator MAGNUSON. Why can't you take them all over?

Mr. HALABY. Well, that is the intent of the Federal Aviation Act. There are several reasons. I am sure you do not want me to spend the whole day explaining them.

We are not capable of taking over some of them. We do not have the equipment, procedures, people. In other cases they do not want us to take them over, for instance, Strategic Air Command bases.

Still other cases we just have not advanced that far in our system.

I feel we ought to be going faster in this direction. But we are going apparently as fast as it is interdepartmentally feasible to do so.

Senator ELLENDER. As you will be permitted, I guess, by the Armed Forces.

Senator ALLOTT. There probably will be some areas that they will never want you to operate.

OVERLAPPING IN MEDICAL RESEARCH

Now, can we go back to the Medical Research Center for just a moment?

I expressed my doubts last year, after sitting on the Labor-HEW appropriation involving research, and the NSF appropriations involving research, the Defense appropriation involving research, and this appropriation involving research, all in the same field I do not want to overstate the case, but I think that there is still a tremendous overlapping of the effort here, Dr. Goddard. And if you had sat and listened to the testimony of the military people this year, as Senator Ellender and I did, you would have found they talked a great deal also about general aviation medical research, and it was not all confined to space.

This is an area I feel ought to be looked at.

Beyond that, I do not want to say anything.

OPERATING METHOD OF ATLANTIC CITY CENTER

Then I would like to ask you this, on "Operations."

I have heard, and I would like to know about it, whether or not the Research and Development Center at Atlantic City is planned or programed under a lend-lease purchase arrangement thing such as we have at Oklahoma City?

Mr. HALABY. We have been offered what you refer to as a lease-purchase proposition like the one at Oklahoma City, by a comparable organization in Atlantic City. We have not accepted that offer.

We have been advised by your colleagues in the other body that if we wish to modernize that facility, which was built for the Navy in the middle of World War II, and which is now pretty dilapidated, that we should come and get appropriations to build a center that would probably cost about $35 million. We were told that we should not accept the same kind of deal that we have at Oklahoma City.

Senator ALLOTT. Now, I am still on "Operations."

Now, you stated that your justification here, and I think I understand this, of the $29 million, that you need $25 million of this merely to operate the facilities that are in operation right now.

Do I understand this correctly?

Mr. HALABY. Yes, sir; that is correct.

OPERATION OF NEW FACILITIES

Senator ALLOTT. You say this will cost the Agency $24.4 million to carry on activities at the June 30, 1962, level. So that of the $29 million allowed you by the House, you would be able—you would have left only $3.7 million to operate the new facilities.

Now, with respect to the items shown on pages 4 and 5 of your statement, are these items, you say, that will be installed and ready for operation—are these on order? Are these on order? Are they in the pipeline?

Mr. HALABY. Yes, sir.

Senator ALLOTT. All of them?

Mr. HALABY. Yes, sir.

Senator ALLOTT. And how much do you say will be required additional—you have disposed of the $37 million in one way or another. How much is going to be required additionally to operate these facilities which you intend to put into service this year?

Mr. HALABY. Approximately $14 million.

ADDITIONAL FUNDS REQUIRED

Senator ALLOTT. So that $14 million would have to be added on to the $29 million.

Mr. HALABY. That is right.

Senator ALLOTT. In order to provide for the operation of our present facilities and for the operation of the facilities which you now have in the pipeline scheduled for construction during this year.

Mr. HALABY. Yes, sir.

AIR ACCIDENTS

Now, you have brought us back to where we were a moment ago in regard to the services. And I think particularly for those who are concerned—and I think we all are—about the near misses and incidents

that we are having in the airspace, these new services set forth at the bottom of page 5 would have to be abandoned for the coming year.

Senator ALLOTT. And that would be in addition to the $14 million.

POSITIONS AND FUNDS NEEDED

Mr. HALABY. Yes, sir. And they would total for this year about 750 positions and $3.7 million. They are the areas of positive control, radar handoff, the national flight data center, and related facilities and services.

Senator YOUNG. Would you deal with that point?

Does that include the omnirange facilities?

Mr. HALABY. Yes, sir. There are 49 very high frequency omnidirectional ranges that we would not be operating, either because of lack of operating or maintenance personnel. The last category I discussed are additional services that we wish to put into effect this year, and they do not include VOR's or omnidirectional ranges, such as you have in mind.

OMNIRANGE FACILITY, DEVILS LAKE, N. DAK.

Senator YOUNG. I would like to ask Mr. Thomas about an omnirange request for Devils Lake, N. Dak., by the civil aeronautics commission of the State, which is also supported by the National Guard and the North Central Airlines. I understand you are going to furnish me with information.

Mr. THOMAS. Yes, sir.

Senator YOUNG. Would this be a part of these funds that were deleted by the House.

Mr. THOMAS. Sir, if the Devils Lake omnirange were on the list of 49, we would not operate it. I did not find it on the list. So I will have to check on its status.

Senator YOUNG. It would come under this appropriation, though, that you are talking about now.

Mr. THOMAS. Yes, it would come under this appropriation if it were on the list. I didn't find it on the list.

Mr. HALABY. It falls into this category. But you are saying you are not certain whether Devils Lake VOR is in this program or not.

Mr. THOMAS. The Senator showed me a letter dated in May I am not familiar with, and I will have to check to see the status of the request.

CORRESPONDENCE ON FACILITY

Senator YOUNG. Mr. Chairman, could I at this point have inserted in the record a letter from the adjutant general of North Dakota, Heber L. Edwards, to the director of the North Dakota Aeronautics Commission, and one from Mr. Wallis, of the North Central Airlines, also, to the director of our aeronautics commission. These letters indicate the use which would be made of such a facility.

Senator MAGNUSON. Very well—without objection.

(The letters referred to follow:)

NORTH CENTRAL AIRLINES, INC.,
Minneapolis, Minn., May 31, 1962.

Mr. HAROLD G. VAVRA,
Director, North Dakota Aeronautics Commission,
Bismarck, N. Dak.

DEAR MR. VAVRA: We are enclosing a copy of the number of instrument approaches made at Devils Lake since we began keeping records there in June of 1959.

If you require any other informaton regarding our operations at this station, please let us know.

Yours very truly,

NORTH CENTRAL AIRLINES, INC.,
G. F. WALLIS,
Director, Flight Operations.

North Central Airlines instrument approaches, Devils Lake, N. Dak.

1959—June	9	1961—January	0
July	1	February	11
August	7	March	9
September	11	April	10
October	32	May	5
November	14	June	0
December	21	July	9
1960—January	8	August	0
February	17	September	9
March	17	October	8
April	8	November	12
May	8	December	16
June	3	1962—January	6
July	0	February	12
August	5	March	20
September	7	April	1
October	8		
November	6		
December	18		

STATE OF NORTH DAKOTA,
OFFICE OF THE ADJUTANT GENERAL,
Bismarck, May 24, 1962.

DIRECTOR,
North Dakota Aeronautics Commission,
Bismarck, N. Dak.

DEAR MR. VAVRA: We request every consideration be given the installation of a terminal VHF omnirange (TVOR) navigation/approach aid, at Devils Lake, N. Dak.

The North Dakota National Guard and other State and Federal agencies have a vital requirement for an approach aid at Devils Lake. Among other agencies located in this area, Camp Gilbert C. Grafton is a vital military installation that requires access by military aircraft in all kinds of weather.

The importance of this military installation is witnessed by some of the following functions performed at Camp Grafton:

Annual field training site for the North Dakota Army National Guard.
Secondary headquarters for the adjutant general of North Dakota.
Emergency headquarters for the North Dakota National Guard.
Emergency headquarters for top State government agencies.
Emergency headquarders for State civil defense agency.
National Guard field maintenance shops.
National Guard State maintenance headquarters and military and civil conference site.

The North Dakota National Guard is estimated to have a yearly requirement of 170 instrument approaches at the Devils Lake Airport.

The importance of the facility requires constant aircraft support and transportation. Access to Devils Lake Airport at any time, during all kinds of weather, is of vital importance to the state of preparedness of North Dakota military and governmental agencies.

Prompt consideration given this matter will be greatly appreciated.

Very truly yours,

HEBER L. EDWARDS,
Major General, the Adjutant General.

EXPANSION OF ACCIDENTS BRANCH

Senator ALLOTT. Now, on the point you just made, Mr. Halaby, it is my understanding that your Accidents Branch is to be expanded with 102 new positions.

We just had your sister agency or brother agency, the CAB, here this morning, with respect to investigation of accidents, and where the responsibility for these accidents lies.

How do you justify, if this figure is correct, 102 new positions for accident investigation?

Mr. HALABY. I do not recognize the figure, Senator. Could you give me a little more detail on it? I do not believe we have either authorized or requested any such number.

There is a rumor floating around town that we have elaborate plans for expanding the training of our inspectors. But——

Senator ALLOTT. No, this has nothing to do with that. This is investigation. If I am wrong on that, we will forget about it.

"FLIGHT STANDARDS SAFETY PROPOSAL"

Senator MAGNUSON. Well, would you yield just a moment there.

It is my understanding that you have got an in-house proposal circulating which is entitled "Flight Standards Safety Proposal" which would establish a staff level branch of 32 aircraft accident field investigators, 58 new positions in Accident Investigations, to be located in Washington, D.C., and 12 clerk-stenographer positions. It has also been reported that the proposed table of organization for this new branch will be almost an exact duplicate of the CAB's Bureau of Air Safety, including powerplant specialists, air frame specialists, and so forth. But your budget estimate makes no such suggestion.

Is that correct?

PROPOSAL DISAPPROVED

Mr. HALABY. Well, Senator, you have been advised of something that may be circulating in part of the 3,000-man FAA staff in Washington that has not come to my attention. And on those terms, if it were presented to me, it would be disapproved.

Senator MAGNUSON. That is what I would think, you would disapprove it.

PROVISIONS OF CIVIL AVIATION ACT

Mr. HALABY. Now, let me tell you what we do have under discussion.

The Chairman of the Civil Aeronautics Board and I have labored, I think, quite industriously to operate under the Federal Aviation Act, which not only permits but directs a certain amount of duplication. And I believe it was the thought of the Congress that there should be

some check and balance here, particularly in the area where we might be at fault, in the operation of a center or a tower—it was not proper to have us investigating ourselves. And although, as I understand the legislative history, this was debated pro and con, it was decided to give the formal judicious or semijudicious responsibility to the CAB for finding the probable cause of the accident.

They also have within their authority studies in the prevention of accidents.

PROCEDURE AT KNOXVILLE

Now, I am sure you realize, and I am told that this Knoxville accident was used as an example, that the Civil Aeronautics Board man was there, I believe, this morning, and he was designated as the accident investigator in charge.

I have a man down there, in fact, I had a man there on the powerplant of the Electra.

Dr. Doddard has pathologists too. If there had been fatalities they could have gone to work.

All of these men are there to do two things. One, to assist the CAB investigator in charge in the finding of the probable cause.

Second, to report back to me immediately if there is anything they find that we ought to do different next time an airplane lands. If we made a mistake, and we could correct it, it would be my responsibility to take action immediately.

CAB FUNCTION TO RECOMMEND

Now, the Civil Aeronautics Board does not take action in these matters. The sharpest action they take is to write or acquaint me with their recommendation. So they have a judicious kind of finding responsibility. But the responsibility for action falls on the FAA. So these men go down there and they report back.

AMICABLE ARRANGEMENTS WITH CAB

Now, if you will recall 2 years ago there was quite a bit of elbowing and friction and a lot more heat than light on this subject. I think in the last 18 months Mr. Boyd and I, and other members of the Board, and most of our staff associates, have worked arm in arm rather than fist against fist in this area.

There have been one or two misunderstandings, but remarkably few.

In our judgment, this has been helpful.

Now, I do not think there can be too many people working on safety. I think that if you are going to err in this matter, it would be better to err on the side of having a few more making the sky and the airport and the neighborhood around it safe, than to have too few.

SINGLE ACCIDENT INVESTIGATION TRAINING CENTER

We are discussing right now, Mr. Boyd and I, a plan for having a single accident investigation training center. It would be under the leadership of a man designated by Mr. Boyd. It would utilize the facilities and resources of both CAB and FAA, and both the CAB personnel and FAA personnel would be eligible to go there.

The CAB would get a kind of Ph. D. in accident investigation, because they are going to lead these investigations. Our fellows would get an AB, so to speak.

But I know of no plan for 102 new slots with substantial additional support. And if one were presented, I would look at it very hard, and I would be sure that it was in formation with the Board, not in collision with it.

Senator ALLOTT. Well, I do not think the CAB was critical this morning in any sense of their present relations with you. You ought to understand that.

REORGANIZATION AND REALINEMENT

Mr. PRILL. May I say a word on that, because the chairman mentioned the flight standards proposal. I am very familiar with this. As the Administrator said, this is not a proposal for new positions, not at all. This is a proposal for a reorganization, and realinement which will reduce our workload in accident investigation. We presently spend thousands of man-hours on this.

Senator MAGNUSON. I think the record is clear on that now.

Senator ALLOTT. Well, I just have one other thing here.

NEWS ARTICLE

Here is an article in the News where you are quoted, April 30th:

FAA Administrator Najeeb Halaby, discussing the 3-D radar and other altitude reporting systems under current study says the two have been technologically available for the past 15 years. He blamed the lack of money appropriated by Congress for FAA research in the lack of attention paid to runway safety improvements for the "almost intolerable situation that we as a Nation have been permitting."

Well, I cannot feel that Congress has been negligible in appropriating money for research for FAA, or that they have been very niggardly in providing the personnel and the money for the development of the navigational systems.

Do you feel that they have?

Mr. HALABY. Certainly, Senator—may I have those charts—this committee has been fair and properly skeptical, in, I think, fulfilling the great responsibility that we all have in this area.

I think there is a certain feeling that maybe the FAA might have been given too much too soon. And I would like to attack that idea, if I could, for just a moment, Mr. Chairman. This relates directly to the Senator's question.

I do not recall this statement. I have very frequently said that we are in an intolerable situation. But I do not recall having blamed it on the Congress. I would blame it on the United States, the way we have failed to wake up to this problem until a series of crashes hit us, and subsequently, to the way we have managed the people and money you give us, which has not been of the highest quality.

Now, if you will just look at this briefly with me, I would point out that this shows——

APPROVAL OF BUDGET BUREAU RECOMMENDATIONS

Senator MAGNUSON. Before you leave that—Congress—and I have been on this committee quite a while—Congress, before you came and before the rest of them came—Congress, I think, has pretty near always, in this field, safety and moving ahead, given the FAA or its predecessor practically what the Budget has recommended. And we have always done that, as far as I know. There might be some variance here and there. But in this field of operations, I think we have. We are not experts. We have to take the advice of people who are. We have done so in this whole field.

I think that probably some of the criticism is this thing has grown so fast, because it did not move up under budgetary restrictions, that it looks somewhat awfully big.

Mr. HALABY. Yes, sir. That is exactly right. And that is what I prepared these charts to show.

Senator MAGNUSON. When you get to a point where you have the military and the FAA a few years ago working on two systems of ground control and air traffic control, and then one of them, spending something over a billion dollars, and having not only duplication, but abandoning it, and neither one can use the other, we had better start to take a look at these things once in a while.

Mr. HALABY. Mr. Chairman, I was vice chairman of a group that studied this problem in 1955.

Senator MAGNUSON. Yes.

1955 REPORT ON ACCIDENT SITUATION

Mr. HALABY. The report here dated December 31, 1955, which I helped to write, described the situation which we still have with us today.

There is a picture, for example, of two aircraft on a collision course, and the problem of seeing and being seen and avoiding each other we still have with us—because we still mix civil and military aircraft in the upper air space.

At that time we published a report that there were approximately four near misses each day on the airways. That was December 1955. We have reported faithfully and candidly this crisis in the air space year after year, I believe. Any suggestion that we are trying to hide it, hide the difficulties we face is completely irresponsible.

This study, which was done in 1954–55, showed these near misses.

FAILURE TO REPORT NEAR MISSES

Last year I found that the reports of these near misses had dried up. We were not getting them, because fear of punishment caused those involved not to report. And so in an effort to get as much candor shed on this situation as possible, we let a contract to the Flight Safety Foundation and they have been giving us interim reports.

Now, those reports are unverified, uninvestigated, and in many cases unverifiable and uninvestigable, because they are anonymous.

They report a substantial number of encounters which one or two pilots, or passengers, regard as a near accident.

We have our own reports. We get a report from a pilot that he almost ran into another plane—we then consider all the details from the radio conversation, and where we can we have an inspector at the point of destination meet the pilot, get further details, and then we try to find the other pilot and pin down what happened. If there is a violation, we take enforcement action. That is a much smaller number. There has been a suggestion made that we have refused to disclose all of these instances, that we are hiding something. This is absolutely 180 degrees from the truth.

We want you to know what the problem is—not to get big appropriations, but so that you will know the risks which we are accepting in the airspace.

RISE IN PASSENGER-MILES

Now, the chairman is absolutely right. Most of the shortfalls were a failure to request funds at a time when the public and the executive branch were, I think—and this is not any one particular administration, it spreads over two administrations—were unaware of this tremendous rise in passenger-miles, from 1947, and this tremendous increase in speed and complexity occurring in 1958 and 1959 with the coming of the jet.

Now, there should have been a steady appropriation for research and development, new facilities and equipment, and this period of 10 years from 1947 to 1957, when we knew how to do it, as we had the radar technology, we had the communications technology, we knew here and there, as the Senator pointed out, in the military and elsewhere how to do this. But you were not asked, and on some occasions the appropriations were neither asked nor given. We had substantial growth in aviation activity and right at the moment we were reporting to President Eisenhower in December 1955, the amount of money for research and development, and new facilities, sunk to almost zero.

Now, there was a kind of gulch, or canyon from 1950 to 1957 in terms of money and personnel.

If there had been a steady rise from 1950 consistent with the rise in traffic and complexity of traffic, we would not be asking you for these large sums.

Now, on this chart we try to show just the air traffic control part of the problem. The year 1954 is 100 percent on this chart, and we are, as you can see, up to about 250 percent—2½ times in the 7 years intervening.

We would only need about 18,500 positions to operate the basic system. This chart brings in the elements of the added functions which will require an additional 12,000 positions through 1963.

You can see here, in this request before you, that we are asking for new positions to do these things—positive control, radar handoff, and so forth. That means having, as we have in one experimental area over Chicago, all aircraft within the region at an altitude under constant radar surveillance and positive control.

NEW POSITIONS FOR POSITIVE CONTROLS

We give the pilot directions rather than just information.

Now, in addition, as you have just explored with us, we will take over the flight inspection responsibility of the military.

Finally, we would install in certain very congested centers and areas what we call radar handoff, and this means that where a jet is penetrating, usually at high speed, from one center or facility to another, we have a man and the equipment, communications and radar, to see that there is no gap between the man who is controlling him over here on his approach to New York and the man who is taking him on into Idlewild. And to do that, we need these additional positions and the additional money.

Now, we can go into any amount of detail you want.

I would like to just take 1 more minute, if I may, on one of these other charts to show you that we are not trying to figure out ways to spend money, but we are trying to figure out ways to make sense here.

CENTER CONSOLIDATION PROGRAM

This center consolidation program has generated quite a bit of interest.

Now, long before we had all of the knowledge we have today, we had a United States with sparse aviation activity. Then over the years, particularly with the coming of the long-range jet, we had this kind of traffic pattern on what you might call a typical day. It is concentrated out West, along the coast, Los Angeles-San Francisco, San Francisco-Portland-Seattle.

Then it is very heavy across the transcontinental Atlantic routes, extremely dense Chicago-New York, New York-Boston, Boston-Washington, quite dense on the Atlantic seaboard. And then you can see these other concentrations here. New Orleans is a hub. Dallas-Fort Worth is a big hub. Oklahoma City and Tulsa. Seattle is not only domestic, but international.

Flying out in here in the North Central area is sparser, particularly by the air carriers. But that is not the important thing out here. The important thing is the farmer, the duster, the individual rancher, who is more dependent on the airplane now than he ever was before.

Now, that is the way the traffic looks as you sit at my desk and try to figure out what to do about it.

FORMER TRAFFIC CONTROL CENTER PROGRAM

Here was the way these Air Traffic Control Centers were set up when I came into office.

There are 29 of them. They were set up for reasons I am not quite clear about in the locations where you see by these black dots.

Now, I asked Mr. Thomas and Mr. Blatt and the career men in this agency to tell me if there were no external considerations, only the technical operational efficiency of the system involved, how many centers would we need.

Now, they came back with an answer that said you could probably operate a system with only a handful of centers, maybe 8 or 9, but it would not be efficient. And the efficient number lies somewhere between 18 and 22 centers. And I said in that case, because these costs are rising so fast, the number of people required are so numerous, we should take a step of economy right now.

DISADVANTAGE OF EXISTING SYSTEM

It is not just saving money. Right now, if a man wants to fly from Los Angeles to New York he has to go through seven centers, and every time he is passed off from one center to another, there is a possibility—not a likelihood, but a possibility of error. And therefore there is a safety consideration of great importance here.

Every time we set up a systems maintenance outfit that has to go to work at a center that is unnecessary, we incur new costs and new positions.

So the men came back, on a strictly technical operational basis, and you can see what we have done.

We have tried to make these centers flow with the traffic.

Now, this conclusion, technical as it was, I felt was sound, honest, and objective. We proceeded with the action involved.

As I say, it is not an easy thing to do.

EMPLOYMENT SITUATION

This area up in here has a very substantial amount of unemployment.

Many friends of mine are involved in this, and I had to go and tell old friends that we were going to close the center in their area. And that is not a pleasant thing to do.

POSSIBILITY OF SAVINGS

In any case, we are in the process of consolidating eight of these centers. I believe there are possibilities of further consolidations. But we need to work this out and get the whole system back into balance, and in good spirit, and in good efficiency, before we go any further.

Over a 15-year period, we will save over a hundred million dollars that we would otherwise have had to come and get.

CONCENTRATION OF DEFENSE ACTIVITIES

Now, the last item I would like to point out to you here is we found, and I think Senator Young particularly you might be interested, although there is not much traffic up here in Montana and North Dakota from the air carriers, Northwest and North Central, and Frontier and others I guess get up in here, there is a very heavy concentration of military air defense, surveillance, radar and communications.

Senator YOUNG. On maneuvers right now?

Mr. HALABY. Well, they are in constant maneuver, particularly the Strategic Air Command, and the Air Defense Command. And yet there is a high concentration of radar communications for the Russians coming over the top.

AREA CENTERS

We have two centers in this area—Great Falls and Minneapolis.

Now, again, the easy thing to do would be to just hold everything and pay for the equipment going into them. But the thing we are doing is to join up with the Department of Defense, Air Defense

semiautomatic ground environment centers here, and put our people into these centers, and work side by side with the military and get some additional or double duty out of these defense dollars.

PHOENIX PROBLEMS

Now, you say why can't you do that elsewhere—take Phoenix, for example. The problem in Phoenix is that the flow of traffic is so heavy down here that we cannot move into the Phoenix SAGE Direction Center, because they do not have enough capacity to handle their defense job and they are very congested airways.

So we are starting here, we are consolidating 29 centers into 21, and out of it we believe we will get not only more efficiency, but more safety.

SAVINGS AS AGAINST FORMER PLAN

Now, with all the jobs we save on that, we still are asking you for more positions. I am afraid we will be doing so until we get this system installed.

I am proud to say that another inheritance that I got when I came in showed that we would have to come to you this year for $895 million on a 5-year plan prepared before I came into office. We have pared that whole period for a 5-year increase down, and we are asking you for $100 million less than under this old plan you would have been asked for this year.

Finally, we are not 5 years from our asking for 57,750 employees, as was the plan, but we are holding it to some 4,000 less than the old 5-year plan.

FEWER POSITIONS

Now, I am not trying to make myself out as a hero here. What I am trying to tell you is that while we are asking for some hard operating jobs, we are also cutting back through these savings, including 610 positions that I have cut out in the last year, a number of them here in Washington.

Senator ALLOTT. May I ask—where have those gone? Have they been transferred to other functions of the Agency, or have they been eliminated from the payroll?

Mr. HALABY. We have approximately 44,000 positions now manned and about 3,000 in Washington. The attrition and turnover will absorb those 610. But there are that many fewer positions. And I cannot tell you without giving it to you for the record just how many of those actually left the payroll and how many of the positions were reduced.

Senator ALLOTT. But there are that many less positions.

Mr. HALABY. Yes, sir.

I think it is 610 less positions. But I do not want to mislead you. We do not have 610 less positions today than we did a year ago, because we have been increasing the men under Mr. Thomas and Mr. Prill, and they are out on the microphones in the centers doing maintenance work.

Senator ALLOTT. Personally, I think I understand this. I understand you are going to have to add some more if you put these facilities into operation. There is only one choice. If you put them in,

you have to add the men. Otherwise there is no point in putting them in.

ABSORPTION OF PAY RAISES AND PER DIEM COSTS

Mr. HALABY. We absorb, I think you will notice, the controller pay raises, and the additional per diem that was authorized during 1962. And there are quite a few other savings we can tell you about.

I did want to particularly introduce you not only to General Grant, who is the Deputy Administrator, and who has been the father of the Air Force Communications Service, but Robert Shank, who has just come to us from the presidency of American Systems, Inc., previously vice president of research and development of Hughes Aircraft, where he was the father of many of their very successful electronic systems.

These men have seen our problem, are challenged by it, and are coming in to help out.

And I think—I may be immodest—but I think we have a darn good management here, and that we can give you more per dollar in the coming 3 years than you would otherwise have.

Senator MAGNUSON. We will recess now until 10 o'clock tomorrow morning, and then go into the other items.

(Whereupon, at 4:40 p.m., Tuesday, August 7, 1962, the subcommittee recessed, to reconvene at 10 a.m., Wednesday, August 8, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

WEDNESDAY, AUGUST 8, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:25 a.m., pursuant to recess, in room F–37, the Capitol, Hon. Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson, Hill, Ellender, Holland, Pastore, Monroney, Allott, Young, Cotton, Saltonstall, and Mundt.

FEDERAL AVIATION AGENCY

STATEMENT OF NAJEEB E. HALABY, ADMINISTRATOR, FEDERAL AVIATION AGENCY, ACCOMPANIED BY LT. GEN. HAROLD W. GRANT, DEPUTY ADMINISTRATOR; ALAN L. DEAN, DEPUTY ADMINISTRATOR FOR ADMINISTRATION; ROBERT J. SHANK, DEPUTY ADMINISTRATOR FOR DEVELOPMENT; CLARKE HARPER, DIRECTOR OF BUDGET; DAVID D. THOMAS, DIRECTOR, AIR TRAFFIC SERVICE; JOSEPH D. BLATT, DIRECTOR, SYSTEMS RESEARCH AND DEVELOPMENT SERVICE; NATHANIEL H. GOODRICH, GENERAL COUNSEL; DONALD S. KING, ACTING DIRECTOR, INSTALLATIONS AND MATERIEL SERVICE; G. WARD HOBBS, DIRECTOR, BUREAU OF NATIONAL CAPITAL AIRPORTS; DR. JAMES L. GODDARD, CIVIL AIR SURGEONS; GEORGE C. PRILL, DIRECTOR, FLIGHT STANDARDS SERVICE; AND COLE MORROW, DIRECTOR, AIRPORTS SERVICE—Resumed

OPERATIONS

Senator MAGNUSON. The committee will come to order. I apologize for being a little late, but I was in another committee, marking up another bill.

We were still on Operations when we recessed last night, and I wonder if there are any further questions by the committee on that particular phase of this?

PERSONNEL INCREASES

Senator ELLENDER. There was only one question I wanted to ask, Mr. Chairman.

I noticed that the number of employees had been increased from 39,963 to 43, 376. Is that strictly in Operations, Mr. Halaby, or is it overall in the whole Agency?

Mr. HALABY. It is for Operations. It is primarily, sir, for the operation and maintenance of air navigation, communications, and traffic control facilities, and the flight standards people, who go out and conduct the tests of pilots and mechanics. Those are the principal increases.

CATEGORIES OF INCREASES

On page 21 of my statement, you will find a breakdown of most of the increases in positions. There are eight different categories on pages 21 and 22.

TOTAL EMPLOYEES

Senator ELLENDER. The question is, though, whether this amount of 43,376 contains all of them.

Mr. HALABY. Yes, for the Operations appropriation.

Senator ELLENDER. In other words, the total amount of employees that you would have, provided the money was made available?

Mr. HALABY. For the operations of the Agency. Yes, sir.

Senator ELLENDER. What else could there be?

TOTAL EMPLOYEES BY DIVISIONS

Mr. HALABY. Well, the budget is broken up into several different items. For Operations, the total number is 43,376. For Facilities and Equipment, 2,274. For Research and Development, 1,295. For maintaining and operating the Washington National Airport, 417.

Senator ELLENDER. Mr. Halaby, what I had in mind particularly was——

Mr. HALABY. The total, I think, is what you are trying to get. That is 47,751 positions for 1962, and for fiscal year 1962, 43,753.

LOCATION OF NEW EMPLOYEES

Senator ELLENDER. When you addressed yourself in your statement to the committee yesterday, which was very effective to me, I wanted to ask this question: Are the employees you are asking for in order to put in this new program that you envision; are they included in this?

Mr. HALABY. Yes, sir.

Senator ELLENDER. That is all I want to know.

Mr. HALABY. The biggest batch is for new facilities and the radar surveillance.

Senator ELLENDER. I understand.

Mr. HALABY. The positive control area. That is almost 500 people.

Senator ELLENDER. That is all, Mr. Chairman.

INCREASE IN FLIGHT STANDARDS PERSONNEL

Senator MAGNUSON. In the flight standards service personnel there is an increase of 765 people. Is that correct?

Mr. HALABY. That sounds high, Senator. Let me just doublecheck that.

For our fiscal year 1963 request, we requested 5,677 employees, which is a total of 247 new employees over the approved fiscal 1962.

Senator MAGNUSON. You have 540, according to my figures, new people in flight inspection for military facilities.

Mr. HALABY. Oh, oh. Yes, sir.

Senator MAGNUSON. And you have 225 people to be engaged in developing safety standards and rules and checking FAA facilities. Is that correct?

Mr. HALABY. Is this the military flight inspection?

Senator MAGNUSON. We have 540 there, and 225 in your own.

Mr. HALABY. I think that would bring it up to 765.

EMPLOYEES TO CHECK RELIABILITY OF FACILITIES

Senator MAGNUSON. Put in the record, if you do not have this, how many of the 225 people will be used in connection with checking reliability of FAA facilities, and also what facilities you have reference to.

Mr. HALABY. We have, as we explained yesterday, a plan to combine the military flight inspection and the FAA flight inspection of all facilities.

Senator MAGNUSON. I am not talking about the military. I am talking about the 225.

Mr. HALABY. So these men would inspect both military and civil facilities.

Senator MAGNUSON. Both facilities?

Mr. HALABY. Yes. And it would be very difficult to segregate the number, once the program is underway, because each will be inspecting all. You may have a breakdown of the additional people required. I think that is 122 people, is it not?

Mr. PRILL. The complete package is 69 for the flight inspection aspect of it. We have requested an increase of 122 people for the total aircraft program.

Senator MAGNUSON. But they are all involved in this whole project of our original horizon report in this general field. Would that be a correct statement?

Mr. PRILL. Yes, Mr. Chairman.

Mr. HALABY. All of these men are combined civil-military flight inspection function.

Senator MAGNUSON. Then put in the record how many will be used to inspect the adequacy of general aviation and commercial aircraft operators.

Mr. PRILL. That is 39.

Senator MAGNUSON. All right.

PERSONNEL IN TRAFFIC CONTROL

In your air traffic controllers—this is involved in your project SCAN—how many air traffic controllers are presently employed by the agency? If you do not have it, put it in the record.

Mr. THOMAS. I have that.

Mr. HALABY. Go ahead. This is Mr. Thomas, Director of the Air Traffic Service.

Mr. THOMAS. In the air route traffic-control centers we have 6,665 positions.

Senator MAGNUSON. 6,665.

Mr. THOMAS. We are requesting 568 additional positions in this budget for centers.

In our terminals, which are the towers, radar approach control facilities, we now have 5,809 positions, and are requesting 414 more.

Senator MAGNUSON. More?

Mr. THOMAS. 414 in this budget.

FLIGHT SERVICE STATIONS

And we have a third category of facilities—the flight service stations—where we have now 4,471 positions and are requesting a net increase of only 2. We are requesting 33 people for the national flight data center, making a total fiscal year 1963 request of 1,017 additional positions. This raises the total in the air traffic control service from 17,911 to 18,928.

FIELD PERSONNEL AND COORDINATORS

Senator MAGNUSON. Of that about one-third generally of your personnel is in the field, generally speaking?

Mr. HALABY. I believe that over 9 out of every 10 of these people are in the field.

Senator MAGNUSON. How many of these are coordinators?

Mr. THOMAS. Sir, I do not have that information available.

Senator MAGNUSON. Will you put that in the record?

(The information referred to follows:)

Number of coordinators in FAA (air traffic) facilities

	As of June 30, 1962	Proposed for fiscal year 1963
In centers	933	990
In towers	375	422
Total	1,308	1,412

COMPLEMENT OF TYPICAL TERMINAL

Mr. THOMAS. The ratio in the terminals is not more than 1 out of 4—not more than 25 percent—and in the centers of the controllers not more than 3 in 10.

Mr. HALABY. Could you take a typical terminal and describe the complement, because I think the Senator would like to know how many of them are controllers and how many of them are radar controllers, and how many are coordinators, and what the hierarchy is. I think they all see these towers——

Senator MAGNUSON. And we do not know just how they operate. Put that in.

Mr. THOMAS. All right, sir.

PROBLEM OF EXCESSIVE COORDINATION

Senator MAGNUSON. It has been suggested in connection with your problem of near misses, it might be possible that excessive coordination is self-defeating, and too much time is devoted to keeping other con-

trollers advised as to one another's activities, as opposed to accomplishing the basic mission. I am sure you will agree that some of that happens.

Mr. HALABY. I am concerned with that, Senator. We have done two things about it, and Mr. Thomas will tell you how we got here.

STUDY IN TIME AND MOTION

First we have within FAA a very penetrating study of many of these centers and towers. Secondly, I have brought in Gordon Bain, who used to be vice president of Northwest Airlines, and who was formerly with the Bureau of the Budget several years ago, to appraise with a completely fresh approach just whether or not we have reached the point of diminishing returns from these numbers of people. So we have that actively underway.

Senator MAGNUSON. Good.

DIFFICULTY OF OBSOLETE EQUIPMENT

Mr. HALABY. But in the meanwhile I think Mr. Thomas will explain to you that with the manual posting of these flight strips with what is obsolescent display equipment, with the slow introduction of computerization into these centers we have had to put people in place of equipment, and we have had to patch the system to keep up with the traffic, and we are far from a system in this business to date. Dave has had to sweat it out day after day, worrying about the near misses, and having additional people as the only tool available to do the job.

EXCESSIVE LAYERING

Senator MAGNUSON. What I am thinking about is the tendency of too much layering. That is a good term to use. That might cause more confusion than what you are attempting to correct in these particular cases. But I understand you and I am hopeful, and I am sure you are doing this, that there will be some streamlining of the manual of operations. This causes enough confusion.

Mr. HALABY. These are two things——

Senator MAGNUSON. These are two things you are working on?

Mr. HALABY. These very serious problems we are working on. Dave, will you supplement what I said?

Mr. THOMAS. I would like to, sir.

In the first place, if a man has his full attention on a radarscope, it is very difficult for him to communicate with other controllers on the telephone and to do calculations on flight progress.

NEEDLING CONTROLLERS

Senator MAGNUSON. While we are at that, there is a lot of evidence of a great deal of "yapping" back and forth about something that is not their business. A little heckling and things like that that go on.

Mr. HALABY. Needling.

Senator MAGNUSON. Yes. "Needling" is a good word.

Mr. HALABY. By pilots of controllers, and I think a little more rarely, controllers of pilots, that does go on. Because often they are

impatient and eager to keep going and keep a schedule. I have been at the end of a runway, like you have, waiting for my turn to take off.

Senator MAGNUSON. And I have listened to them.

Mr. HALABY. And you get the boys in a warm cockpit and eager to meet their schedules, and they start needling the controllers, and in a sense put themselves in the towers as well as the cockpit.

SPRINGFIELD INCIDENT

We have talked to the airline pilots personally and in groups and request their cooperation through their pilots association, and have told our people not to be provocative or answer back, but just take it. In the Springfield incident, we had, through a mistake of our FAA system, and one of the individuals, two airplanes circling out there for 42 minutes. We went back with all kinds of hardheaded people and a couple of psychiatrists and psychologists to see if we could find some reason why that came about. One of the things we found was that two pilots had been needling this particular controller for several minutes. That is no excuse for his making a mistake, but it does give us some inkling as to what the cause of the mistake was.

Senator MAGNUSON. He can put in the record just the outline of how you operate one of these towers, and if there are any proper remarks you think should be made regarding this layering sometimes causing confusion, you can make them.

(The information referred to follows:)

FUNCTIONS AND STAFFING OF AIRPORT TRAFFIC CONTROL TOWERS

Airport traffic control towers are facilities responsible for the safe and expeditious movement of air traffic on and in the immediate vicinity of an airport. In addition, towers may have approached control service which provides control service to arriving and departing air traffic operating on instrument flight rules (IFR) and, on occasion, visual flight rules (VFR), within a designated control area surrounding the airport.

Where air traffic volume warrants, radar is employed by the approach control tower to move air traffic by use of radar separation instead of standard (time) separation. A radar approach control tower is made up of two elements, a tower cab and an IFR room. The tower cab controls the traffic on the ground as well as VFR flights in the immediate vicinity of the airport. The IFR room provides radar separation service for aircraft arriving, departing, and transiting the airport area.

The organization of a large radar approach tower is depicted in the chart below. There follows also a listing and brief description of the basic operating positions:

Tower cab

Local control.—This position is primarily responsible for issuing information and clearances governing all air traffic and vehicular traffic operating on the landing area, and VFR air traffic operating in the control zone. Duties include formulating and issuing clearances and instructions to IFR traffic released to tower control.

Flight data.—This position is primarily responsible for assisting in the operation of the facility as directed. Duties include receiving, posting, and relaying air traffic control clearances, control messages, and flight data concerning IFR traffic.

Ground control.—At locations where the volume of traffic warrants, this position is established to assist other positions by handling both taxiing aircraft and vehicular traffic on the landing area. At locations where airport surface detection radar equipment (ASDE) is employed, that position is designated as ground radar (GR).

Clearance delivery.—Some locations, because of a heavy volume of traffic, require a separate position which is used primarily for the delivery of departure and en route clearances. These duties are then separate from the ground control or flight data positions.

IFR room

Arrival control.—The duties of the arrival radar position(s) are to expedite the movement of arriving aircraft by providing vectors to final approach courses and to provide radar separation from other aircraft.

Precision approach control (PAR).—It is the duty of this position to assist pilots to approach to the instrument runway during IFR conditions using precision radar equipment; to monitor ILS approaches and issue advisories, or serve as a landing aid (GCA) at pilot request.

Departure control.—The duties of the departure radar position(s) are to expedite the movement of departing aircraft by providing radar separation between successive departures and between the departing aircraft and arriving aircraft.

Flight data.—The primary duties of this position are to assist in operation of the radar functions of the facility by copying and relaying clearances and messages and maintaining records as directed.

PROCEDURE OF CONTROLLERS

Mr. HALABY. I think I would like just 1 minute on that.

Senator MAGNUSON. All right.

Mr. HALABY. Go ahead.

Mr. THOMAS. In our center staffing each controller, including the coordinator in the complement, has some 4 minutes per airplane. We have the coordinators to talk between the sectors to see all is clear to move traffic and to be sure there is operational coordination between sectors handling the same aircraft. We do not go into excessive layering. The point I would like to make is that the controllers are very busy on their separate sectors, and coordinators supervise the traffic flow between the separate sectors.

UPGRADING CONTROLLERS

Senator MAGNUSON. You put that in and put in the record this snafu you had on controller upgrading. Can you do that with an explanation?

Mr. THOMAS. Yes.

(The information referred to follows:)

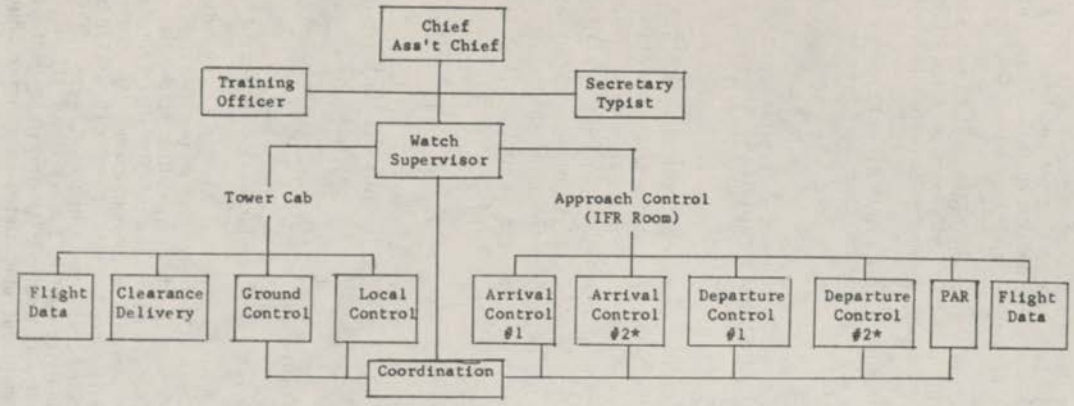
AIR TRAFFIC CONTROL TOWER COORDINATOR (SUPERVISING CONTROLLER) POLICY

In response to a request by the Federal Aviation Agency to promote air traffic service personnel in recognition of the increasing responsibility, knowledge, competence, and pressure involved in the demanding work, the Civil Service Commission, in June 1961, approved new standards for air traffic service positions which permitted grade increases for many employees. As of October 1, 1961, 6,896 air traffic service specialists were upgraded under these standards.

Among the various kinds of specialists who were upgraded were 1,280 performing coordinator duties in high-activity control towers (level III and IV). A level III tower is one which handles at least 80,000 aircraft operations annually, including 20,000 or more instrument operations, or a tower handling 100,000 or more operations including at least 15,000 instrument operations. A level IV tower is one with at least 100,000 instrument operations a year.

The Civil Service Commission found that "The function of coordination of the control of traffic through the use of radar equipment is new in nonsupervisory positions. This coordination involves the integration of the activities of the control functions of arrival control, departure control, radar handoff, surveillance

RADAR APPROACH CONTROL TOWER



* As required

NOTE: A typical large radar tower is Atlanta (Municipal), Georgia, which employes a total of 59 people as follows:

Title	Number
Chief	1
Assistant Chief	1
Training Officer	1
Secretary	1
Watch Supervisors	5
Coordinators	8
Controllers	37
Assistant Controllers	5
	59

of holding patterns, and precision radar approach control. The correct level for the function (whether as a full-time position or as a segment of a position) is as follows:

"Level II tower	Level III tower	Level IV tower
Combined with shift supervision GS–12.	GS–12 ($8,955 per annum).....	GS–13 ($10,635 per annum)."

Prior to the new CSC standards, many FAA towers had coordinators. However, those who performed coordinator duties were paid the same salary as controllers. The new standards recognized the increased complexity of coordinator duties in the level III and IV towers and established a pay differential between the coordinator and controller, that is, coordinators were to be paid a higher grade. The new standards permitted payment at the higher grade based upon either full- or part-time assignment to the coordinator positions. The different FAA regions promoted various proportions of controllers to the coordination grade based on their individual concepts of operational effectiveness in the performance of this function. All controllers promoted were qualified and performed coordination duties as required, but in the aggregate the regional actions resulted in different patterns of pay and staffing between towers of the same general character.

As a result of the above differences among regions, the Administrator of FAA directed an intensive review of the coordination function in level III and level IV towers. This resulted in the determination that coordination duties should be assigned to substantially full-time supervising controllers (coordinator) in all regions rather than on the rotation basis as used in certain regions. The determination was made in order to assure maximum specialized competence in this important traffic-control activity. The effect of this change was to decrease the number of employees assigned to coordination duties, while at the same time the number of employees classified as "controllers" were correspondingly increased. Total numbers of employees at individual facilities were not affected by this action, since the aggregate amount of coordination and control work to be performed remained the same.

Each region was instructed to review its facilities to determine how many supervising controller (coordinator) positions it needed for full-time assignment. This number could not exceed one supervising controller (coordinator) for every four controllers. Wherever there was an excess number of employees performing the coordination function, the regions, effective May 13, 1962, placed these extra employees at the top of the grade held immediately prior to the last promotion. These changes in work assignments and salaries were made in accordance with the retention standing of competing employees as prescribed by civil service rules and regulations.

Of the 1,280 employees in coordinator positions in level III and IV towers, about 905 were reduced to the appropriate controller grades (GS–11 and GS–12) and reassigned to purely controller functions. The remaining 375 were assigned full-time coordination duties and retained the higher coordinator grade. Individuals demoted are eligible for consideration for vacancies that occur in the higher grades.

CONTRACT WITH UNIVERSITY OF MICHIGAN

Senator MAGNUSON. Also I would like in the record the reason why you contracted or made that contract with the University of Michigan, when you should be doing it yourself on the flight standards on flight service stations.

Mr. HALABY. Flight service stations?

Senator MAGNUSON. Yes. You made a contract for on-site survey which furnished an air-traffic survey that cost $100,000. Right?

Are there any further questions on operations?

Mr. HALABY. When was that contract made?

Mr. BLATT. The contract was made about 8 months ago.

Senator MAGNUSON. Put in the record the justification.

Mr. BLATT. Yes, sir.

(The information referred to follows:)

A requirement exists for a determination of the long-range functions, missions, and responsibilties of flight service stations. A determination of the role of flight service stations in the system of the future and an analysis of current procedures are essential to the system design. A contract was negotiated with the University of Michigan because it was our desire to inject as much objectivity into this program as possible, and to utilize the specialized personnel in the university uniquely equipped to carry out the statistical and industrial engineering aspects of this project. The contract provided us for the first time with a basis for determining the optimum number of stations required, manning requirements, and criteria for measuring system efficiency.

TIME TRACK SURVEY BY STANFORD RESEARCH INSTITUTE

Senator ALLOTT. I would also like in the record a justification with respect to the time track survey made by Stanford University on jet flights across the country. I would like to know two things: How these tasks that are contracted to Stanford differ from what they have done in the past, and what precise benefits, if any, occurred.

Mr. HARPER. We will submit those.

(The information referred to follows:)

The contract referred to is a study of minimum time paths of aircraft operating in the North Atlantic Ocean and of an effort to analyze the economic advantages and disadvantages of using the jet streams and other wind effects on the North Atlantic as an aid in flight progress. In addition, the envelope of these tracks shows the area wherein navigation, communications, and ATC services are required. The original contract awarded to Stanford Research Institute was a study of the winter months. A subsequent contract was awarded to cover the summer months in an effort to analyze differences which appear during this extremely heavy traffic flow period on the North Atlantic.

OTHER CONTRACTS

Senator ELLENDER. I wonder if there are any other contracts that are entered into with the colleges. As I pointed out yesterday, that is becoming a serious thing to me. The money is being used indirectly here for the operation of these colleges. If you want to do that, let us do it openly—not in a devious way like this.

Mr. HALABY. We will advise you of any other contracts we have in process at universities. I doubt that we have many more than the University of Michigan, and possibly Cornell Aeronautical Laboratory.

(The information referred to follows:)

The following contracts are with universities or with organizations associated with universities. None of the contracts are for aviation medicine.

FAA/BRD–116: Ohio State University Foundation. This is the university proper, $141,438. No fee.

FAA/BRD–340: Syracuse University, $27,484. No fee. However, $22,090 of amount is subcontracted to Syracuse University Research Corp., an independent organization established by Syracuse University. The corporation received a fee of 6 percent.

FAA/BRD–407: Ohio State University Foundation. This is the university proper, $72,000. No fee.

FAA/BRD–413: University of Michigan. This is the university proper, $100,000. No fee.

ARDS–434: University of California. This is the university proper, $155,000. No fee.

ARDS–436: University of Michigan. This is the university proper, $70,800. No fee.

ARDS–450: Colorado State University Foundation. This is the university proper, $25,270. No fee.
ARDS–487: University of Michigan. This is the university proper, $72,800. No fee.
ARDS–499: University of Michigan. This is the university proper, $26,450. No fee.
ARDS–506: University of Michigan. This is the university proper, $90,820. No fee.
ARDS–533: Syracuse University Research Corp. An independent organization established by Syracuse University, $153,431. 6-percent fee.

STANFORD RESEARCH INSTITUTE

Mr. BLATT. We have a contract with the University of California also.

Mr. HALABY. If there are only a handful, we will put them in the record. As you know, Stanford Research Institute is a separate and independent thing from Stanford University, and a nonprofit corporation. It does have some Stanford faculty people who are consultants, as you pointed out yesterday, to Stanford Research Institute, but it just happens to be located in Menlo Park, Calif.

Senator ALLOTT. And also happens to have some of the same trustees.

Mr. HALABY. Yes. That is right, Senator.

RESEARCH AND DEVELOPMENT BUDGET

Senator ELLENDER. Is this work being done in connection with the money you are asking for research and development?

Mr. HALABY. The two contracts you are talking about here have been in the research and development budget.

Senator ELLENDER. Are there any contracts entered into that use money from other ones than the budget for research and development?

Mr. BLATT. With universities?

Senator ELLENDER. Yes.

Mr. BLATT. No, sir.

ECONOMICAL FEATURE OF CONTRACT WORK

Senator MONRONEY. If you have a specific job to do, isn't it less expensive to contract with universities, rather than fly in with your own technicians? That way you do not have any liability for continuing employment.

Mr. BLATT. That is correct, sir. Very, very specialized personnel exists at the universities for the studies that are required.

Senator ELLENDER. But once we start it, this never ends.

Senator MONRONEY. That is a point I want to be more thorough on. It is the advantage of not continuing on and on as a Government program. You make a firm contract, and it is performed for a lump sum. That is the way the contracts are worded. When they are completed, a report is made.

Mr. HALABY. The staff research projects like the Michigan reports are one-shot affairs. You have the choice here of two evils, I guess you would say. One is a one-shot contract to a research institute, whether it is a university or nonuniversity. You do pay some overhead as you were suggesting yesterday. The other is to hire somebody to do it, and you almost never fire anyone in this business, I find. So the long-haul costs may be very much greater that way.

UNIVERSITY MEDICAL RESEARCH CONTRACTS

I neglected, when I said a handful of these contracts, to mention, as I think we mentioned yesterday, that that does not include the university medical research contracts. Those are not in the research and development budget he is talking about. They are in the medical research budget and there are, I think, 15 or 16 of those to individual universities where there is a special, particular kind of research going on that we do not want to or are set up to do in Oklahoma City.

Mr. BLATT. It is carried under the same appropriation.

UNDUE GROWTH OF CONTRACT CASE

Senator ELLENDER. Mr. Halaby, I am not objecting so much to the way they are employed, but this is becoming a habit. In my opinion once you start they always find something new to do, and get the Government simply keeping on furnishing the money to them.

I go back to what I said yesterday about Princeton, Harvard, Yale, and many others. Some of them are actually sustained, more or less, by moneys they get from the Government. It is just a growing cancer.

Mr. HALABY. I guess, Senator, I have to disagree about the cancer part of it. What we are doing here as a matching——

Senator ELLENDER. Let us make it "evil" instead of "cancer."

SOURCE OF UNDUE GROWTH

Mr. HALABY. We are paying for brainpower wherever we need it and find it. I think that the cancerous part is that the overheads and the inflated allowances and fees are making this a very serious problem for the Government when you get into a total research and development budget in the order of $12 billion. The idea of paying for brains is a good one, and I think it is one we have adopted awfully late in relation to what the Soviet Union and a lot of other cultures are doing, but the way we go about it is not very hardheaded, and I think we are paying a little too much in overhead and permitting competitive inflation of some of these scales of compensation.

If we could get at that, we could make some real savings. We are getting into a situation where one pays more and then the other pays more and then the other pays more, and we are all going to pay for about three-quarters of it in the end.

Senator ELLENDER. But, on the other hand, you have some colleges that have better friends in the science division or research division, and you know they pass it on to them.

Mr. HALABY. I am sure there is some of that.

Senator ELLENDER. I am positive of that. From the information I was able to get before the Armed Services Committee, most of their work is done in that way.

RESEARCH GRANTS, 1962

Senator ALLOTT. I procured from you last year a list of the research projects which have been granted from the FAA, and I examined that list. Unfortunately, I did not have a chance to go over it with you, but I was concerned in examining the list that there were matters and

items being projected out which really should have been within the knowledge and capacity of your own people.

We can really spend, in this committee, a complete day on the examination of the research contracts of the Federal Aviation Agency. I might say I believe it is just as true in every other department of the Government, Mr. Halaby. I am not seeking out the FAA particularly. I think sometimes executive decisions are postponed or hidden behind a research project, or a so-called research project. Some of these projects on your list certainly seemed to be matters that the people you have, the skilled people you have, should have had the know-how to conduct; it appeared that farming them out was just a way of avoiding compiling, or putting together, or assuming the responsibility for making a decision.

Mr. HALABY. It is one of the perils of a big organization of any kind. It happens in industry, as I am sure you know. If you don't know what to do, study it.

Senator ALLOTT. Who has the responsibility, ultimately, for it?

Mr. HALABY. The management-consulting firms of the United States expanded very rapidly in the past 10 years, partly because of the human tendency not to want to face up to a decision, but use someone else's brainpower to study it and maybe get an inspired answer, or again to permit you a course that does not require a hard decision. But I do not believe you will find this as prevalent in this Agency as you will in many others, and even in some private enterprise. Certainly the university itself is the place where you do the most studying and the least deciding of any organization in American culture. So we have a problem, but all we can do is decide the ones that need to be decided and study the ones within house that we can, and go outside only when we need to, which is our management philosophy.

ULTIMATE RESPONSIBILITY

Senator ALLOTT. Who has the ultimate responsibility? Each one of these research projects would not come to you, would it?

Mr. HALABY. Well, I have asked all my fellows to send to me those that they think I should see. Now, I must confess, I don't know about the University of Michigan study of our flight-service stations, but if I didn't see it, that was undoubtedly because it was felt that project needed to be done and did not need to be referred to me for a decision. I do not know how much money is involved in it.

Mr. BLATT. I do not know the value.

Senator MAGNUSON. $100,000.

Mr. HALABY. It is $100,000.

Senator ALLOTT. In the event one of these did not come to you, Mr. Halaby——

Mr. HALABY. Yes.

Senator ALLOTT. And in the event I had a question about a particular so-called research, whom in your Department would I go to for an answer?

RESPONSIBILITY FOR RESEACH AND DEVELOPMENT PROGRAM

Mr. HALABY. The research and development program—the installation and maintenance program and, in fact, the entire developmental

effort of the Agency, is now concentrated in the hands of one man—Mr. Robert Shank. Mr. Blatt reports to him on systems research, and Mr. King on his left reports to him on installation and procurement business, Mr. Gough on aircraft development problems, and Mr. Vierling on maintenance problems. The only part of this research and development effort in the sense you are talking about of letting contracts at universities and institutes that are not directly controlled by him, are those in the civil air medical area of Dr. Goddard. So I hold them responsible for those research contracts in those areas, and you in turn hold me. So whatever they do wrong, I am responsible for. Whatever they do right, they are responsible for.

Senator ALLOTT. You mean, whatever they do right you are responsible for.

I want to make the record perfectly clear. In asking these questions which the distinguished chairman raised, I do not think that the situation here is any worse or any different than in any other agency of the Government, but it is a problem which is getting greater and greater all the time. I would say in many instances, as the Senator from Louisiana says, it is out of hand completely.

Mr. MAGNUSON. All right.

Now, Mr. Administrator, we will get to research in a minute.

AIR TRAFFIC CONTROL CENTER CONSOLIDATION

The air traffic control centers, the consolidation feature. I think you cleared that up a great deal yesterday and if there is any more you want to put in the record we will have it open.

There has been quite a bit of talk about the New Orleans center, where you were lucky enough to get NASA to take it over. There have been some complaints about the lack of planning in this consolidation, but I think you explained yesterday how it has to work, and how you hope it will work in the future.

LIMITED LOCAL VIEWS

Mr. HALABY. It is very hard for anyone, particularly a neighbor of one of these centers, to think you could not use a new building, or not continue under a recent lease and still save money. They see the local part of it and they do not see the national part of it. Even if NASA had not come into the Slidell, La., area—and this will surprise some—we could have absorbed the cost of roughly more than $2 million, and still have saved money over the next 15 or 16 years by having one instead of two centers. You just have to go down through a painful analysis of this. There are differences on any cost analysis of anything, but the lowest figure I have heard anyone throw at me is that we would only save $200,000 a year by combining at Houston, the San Antonio, and New Orleans centers.

Senator MAGNUSON. We won't go into the San Antonio at this time.

Mr. HALABY. I would love to go into it. I am very ready to go into any angle and any aspect that this committee and Congress may want to. Any number, or any chronology——

Senator MAGNUSON. I know that.

Mr. HALABY. I would love to go into it.

Senator MAGNUSON. But I am saying, if there is anything you want to add to this, we will put that in the record.

PHASING CONSOLIDATION

Senator ALLOTT. May I ask one thing on that?

On this system that you explained yesterday, this is in effect now? The newest one?

Mr. HALABY. The consolidation. That is phased month by month and year by year, and it will not be completely in effect for two and a half years, but the first steps are from Norfolk up into Washington, and from Pittsburgh up into Cleveland, and then the rest are consolidated step by step.

Which would be next after that, Mr. Thomas?

QUALITY AND TRAINING OF PERSONNEL

Senator ALLOTT. I am not so much interested in the sequence of phasing as the personnel to operate these. These are being drawn from the other centers that you now have, or will be drawn. I am concerned about the quality of the personnel to operate these, and the training of the personnel. Do you have them?

Mr. HALABY. We have them in the system now. I think quite a bit of the static you will hear and complaints you will receive is that something over 1,000 people will have to move. They will change their residence. Their families will have to move, and they are the victims of what I guess is popularly known as automation.

I don't like this one bit. I have gone out to each of these centers and I have talked to these people. They tell me their problems on schools. In some cases at Phoenix we have some men and women who were there out of compassion, because they have asthma and other respiratory problems, and it is not going to be easy for them to move over to Albuquerque, although that is a pretty dry climate too. But you didn't ask me or authorize me to hold down a job to run a popularity contest. This is not a position from which one runs for any office, I can think of, perhaps except in purgatory. I was put in here to run an efficient, economical system. So I have to think about those people and their convenience and happiness, but they are being dislocated and we are going to get, and I guess you will too, a series of complaints that question my motives; but I do not believe they can prove that this is not in the interests of economy and safety.

Senator ALLOTT. The question I am really interested in—and I appreciate knowing that we are going to have to face this—but the thing I am really interested in is whether or not if you do combine these you will have the skilled and qualified personnel to handle them.

FEWER POSITIONS IN SYSTEM

Mr. HALABY. Yes, sir. We will after it is all completed have approximately 540 fewer positions in the system than we would otherwise have had.

Senator ALLOTT. So you will skim off the cream for this particular process?

Mr. HALABY. Through retirement, death, disability, and going to other jobs, there will be approximately 540 fewer people, and we

will save in the order of $6 or $7 million a year over what otherwise would have been the cost to the U.S. Government, after this is completed. But we will not lack good people. Our training program goes on. Our people are getting more experienced, and we will have more people who are unhappy than we have ever had before, because they will have had to move.

PEAKING PROBLEM

Senator MAGNUSON. All right. This is in the nature of a suggestion. I asked this of the Civil Aeronautics Board yesterday morning and I know the Federal Aviation Agency could be helpful. I do not think we should dictate schedules to the commercial operators and equipment people, but I think that the two agencies can join with the operators and see if we cannot do something about the peaking problem, which becomes your worst problem in these airports, and becomes the problem of the airports.

I do not know, but peaking seems to be getting worse instead of better. I just pass it out as a suggestion.

FLIGHT TRAINING FOR CONTROLLERS

One more thing. The House, under Operations, says:

> The committee has its doubts on the value of training 100 employees each year how to fly at an annual cost of $340,000. No funds have been provided for this type of activity.

Can anybody comment on that?

Mr. HALABY. On the face of it, as it is stated there, it does not make any sense at all. What we had in mind, Senator, and I confess it got a little out of control, is that some of our controllers should know the problem of the airman in the cockpit as well as the problem he has over the scope and at the microphone. The idea there was to select some of our most promising young buck controllers and give them—on an austere basis—not a $3,400-a-year basis, a private pilot's license. This was a combination of training and incentive. There were a handful of others who I felt should not become desk- and chair-bound bureaucrats, but should be actively out in the system, because they had a share in the management of the system, and they needed to have some pilot training.

The House has taken a whack at this, and the way it came to them was not the way I intended it. I still think it is a good idea and on a limited basis I think we ought to be allowed to do it, but a very limited basis.

Senator MONRONEY. How much do you need to carry out the minimum program?

Mr. HALABY. I would say about 25 percent of that, about $80,000 to $100,000.

FAMILIARITY OF CONTROLLERS WITH COCKPIT PROBLEMS

Senator MONRONEY. I feel it is absolutely essential to have some of the key personnel know the problems of the man in the cockpit.

Senator MAGNUSON. I do too. That is why I wanted it explained.

Senator MONRONEY. If it can be held to a reasonable minimum, I am highly in favor of having selected personnel taking some pilot training.

SHARING COST OF TRAINING

Mr. HALABY. One idea I have had since I first put this idea into the staff process was that we would share the costs with the individual. In other words, if we had the right man who wanted to fly and he was willing to put in a buck for every two bucks we put in, that might be a good limitation and a good sensible way to do it.

Senator MAGNUSON. And then you would get the type of fellow who really wanted to do it and had the desire to do it.

Mr. HALABY. Yes, the eager beaver.

Senator MONRONEY. It is still selective from your point of view, whether the man would actually ever use the training.

Mr. HALABY. If the committee is willing to receive the suggestion, it would be some way—in a conference or otherwise—not to have this completely knocked out, but either through a limitation, or through an understanding of the committee that we would not exceed so much money, or so many people. We do not want it to get out of hand and do not want to have a whole group of pilots who are no longer really pilots. We just want a handful of people who need to know the pilot's point of view—people in key spots.

Senator MAGNUSON. All right. Is there anything further on operations?

FACILITIES AND EQUIPMENT

Now we go to facilities and equipment.

The House committee approved $120 million for new facilities and equipment and the same amount as appropriated in 1962, but $15 million less than the budget estimate. They go on to say,

> In addition to new funds provided in the bill, a balance of $105,261,000 will be brought forward, making a total of $225,261,000 available for equipment expenditure.

Where is your statement on that?

Mr. HALABY. In the appeal letter, Mr. Chairman.

Senator MAGNUSON. In the letter?

Mr. HALABY. In the letter on page 8, and following.

Senator MAGNUSON. All right.

LONG LEADTIME ITEMS

Mr. HALABY. I think the first point is that some of this or much of this equipment is long leadtime items. Therefore, the reason why we have a total of $225 million available for the facilities-and-equipment expenditures is that, in the first place, some of the radars and displays and communications items take a considerable amount of time to write specifications, put out for bid, and award bids, produce, deliver, and install. This is not an exceptional amount to have available at any one time. It is all committed and programed, but it is not all obligated and spent.

EQUIPMENT FOR CENTERS AND AIR SAFETY COMPLEX

Senator MAGNUSON. All right. The bulk of this amount, regardless of what is in either bill, is for furnishing equipment to these centers and the air safety complex, is it not?

Mr. HALABY. Yes, sir. At the bottom of page 9 you will see the list, and the most significant items that must be deferred include providing single-channel VHF transmitters at 97 flight service stations; providing automatic error correction equipment at 5 locations; establishing 3 ATC voice circuits; establishing 27 terminal VOR's.

Senator MAGNUSON. We will put all of those in the record.

Mr. HALABY. Fine.

(The information requested follows:)

The most significant items that must be deferred include:
Providing single-channel VHF transmitters at 97 FSS's;
Providing automatic error correction equipment at 5 locations;
Establishing 3 ATC voice circuits;
Establishing 27 terminal VOR's;
Modifying 7 VOR's to Doppler VOR's;
Establishing 29 approach light;
Establishing 40 runway end identifier lights;
Establishing 40 visual glide slope indicators;
Improving the usefulness and the reliability of 14 existing ILS by adding waveguide localizers;
Establishing 6 airport surveillance radars;
Providing 27 direct center pilot air/ground communications; and
Improving the technical communications required for controlling air traffic.

OTHER ITEMS UNDER REQUEST

Senator MAGNUSON. How much of this amount for fiscal 1963 is for other items than that? Housing is one. Is that right?

Mr. HALABY. There is an item of $4,870,000 for housing, utilities, and miscellaneous facilities.

Senator MAGNUSON. Is there a breakdown on that?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. Put that in the record.

(The information referred to follows:)

HOUSING, UTILITIES, AND MISCELLANEOUS FACILITIES

This program provides for general housing for FAA personnel in areas where adequate rental housing is not available, utility services on islands having an aviation-connected function, and miscellaneous needs not directly connected with a specific type of facility or service. The 1963 request of $4,870,000 will provide additional and improved utility systems and 15 service buildings at remote locations.

Provide and improve utilities	$4,569,000
Provide powerplant facilities	1,303,000
Improve water supply systems at 7 locations	525,000
Provide miscellaneous facilities	1,755,000
Provide 15 service buildings	986,000
Restore funds for emergency projects	91,000
Pay tort claims	210,000

COST OF HOUSING IN SAMOA

Mr. HALABY. We will submit it for the record. Right.

Senator MAGNUSON. The House paid a lot of attention to the cost of housing in Samoa. I am sure you are familiar with that item.

Mr. HALABY. We have dropped it out.

Senator MAGNUSON. You dropped it out?

Mr. HALABY. Wait just a second. I may be wrong about that. We got the money in 1962 for it. It is not in the current fiscal 1963 budget.

Senator MAGNUSON. They make a point about your spending too much because there may be typhoons or something there, and somebody found out there were no typhoons there.

Mr. KING. We have been in consultation with the Pacific region on this and they want to move ahead, hopefully doing this within the limitation that they have set. This may mean we will have to cut out some of the typhoon-proof construction.

Senator MAGNUSON. Are there typhoons in Samoa?

Mr. KING. It is on the southern edge of the typhoon belt.

DUPLICATION OF WEATHER REPORTING WITH THE MILITARY

Senator MAGNUSON. While we are on the weather, and you can answer that question, do you still have the duplication of weather reporting with the military?

Mr. HALABY. There is duplication.

Senator MAGNUSON. Are we working on that?

Mr. HALABY. We are working on it.

Senator MAGNUSON. You?

General GRANT. Yes, sir.

Senator MAGNUSON. The general is the fellow who was working on it.

Mr. HALABY. He is. He is the very one working on that, and I think he feels he is making progress.

General GRANT. I think we are. This is a part of the integration process we are going through now.

Senator MAGNUSON. Yes. All right.

Is there included in this amount any new equipment, or aircraft, or things for the agency, also?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. What are the aircraft?

AIRCRAFT AND SPARE PARTS

Mr. HALABY. The total for aircraft, spare parts, training, and all of the related items for an aircraft program is $7,912,000. There are five training aircraft.

Senator MAGNUSON. What kind are they? Are they specially built or are they identifiable?

Mr. HALABY. Do you have page 1137 of our justification there?

Mr. PRILL. And on page 74 of the summary.

Mr. HALABY. But he wants to know the type.

Mr. PRILL. We have DC–7's actually. We planned DC–6's, but are leasing DC–7's because they are cheaper.

Senator MAGNUSON. You are leasing some?

Mr. PRILL. No, we want to buy them.

Senator MAGNUSON. Are you leasing any?

Mr. PRILL. At the present time these airplanes are on lease, but we would prefer to buy them, because they are cheaper and they are in this budget on that basis.

Senator MAGNUSON. Break it down first as to items.

Mr. HALABY. Could we put in a page of aircraft and related equipment that breaks it down?

Senator MAGNUSON. Yes.

(The information referred to follows:)

AIRCRAFT AND RELATED EQUIPMENT

Aircraft and related equipment provides for the procurement of agency aircraft and avionics related to the operations of the various services and offices. The 1963 request of $7,912,000 will provide for the procurement of equipment associated with the flight inspection of military facilities, the acquisition of six aircraft by purchase or lease-purchase agreement and the retrofit of various flight inspection, flight training, logistic and administrative aircraft.

Facilities flight inspection	$3,356,000
Procurement of equipment associated with flight inspection of military facilities	508,000
Retrofit Constellation and DC–4 aircraft	915,000
Replace and improve TACAN equipment in 5 Convair aircraft	1,345,000
Provide panoramic equipment for 32 facility flight inspection aircraft	588,000
Training	3,174,000
Procure and modify 5 training aircraft	2,944,000
Provide integrated flight systems	55,000
Retrofit 6 training aircraft	175,000
Research support	40,000
Procure 1 aircraft and related equipment	40,000
Logistic and administrative	1,342,000
Procure 1 North American Sabreliner-type aircraft	1,142,000
Convert 1 DC–3 aircraft to cargo configuration	75,000
Retrofit 4 administrative and logistic aircraft	125,000

BUYING VERSUS LEASING AIRCRAFT

Senator MAGNUSON. One of the things we have discussed here on many occasions is whether it is cheaper, as you say, to buy these aircraft you need, or lease them. I have had broken down for me, for example, your Gulf Stream G–159 is used only 460 hours per year, or at least it was last year. Yet your maintenance cost is $242 per hour. Whether you could rent such aircraft poses a question, I guess. Your maintenance cost of a Beechcraft that you own is $44 per hour while you lease two Beechcraft and pay only $78.30 an hour operation on these.

With respect to your Boeing C–135, based on a 10-year life with a 15-percent residual value at the end of that period, your depreciation and maintenance cost per hour operation is around $916, whereas trunk carriers' depreciation and maintenance costs for operating aircraft in 1960 was $385.

You believe it is cheaper to buy them than to lease them in some cases? I do not know. I am just posing the question. I just do not know, but these are pretty high costs for maintenance.

TYPES OF LEASES

Mr. PRILL. We have two types of lease, Mr. Chairman. A wet lease and a dry lease, so-called in the business. On a wet lease you will get the pilots and fuel and maintenance, and in a dry lease you do all of the work. We do both of these, whichever is the cheapest.

Senator MAGNUSON. There is no use in arguing the point because I know the cost of what you own. It may be there is nothing you can do about that, because you now own them, but what I am saying is, you might consider the problem and look at leases and the costs, and you will still have adequate aircraft.

Mr. HALABY. Could we take your question and submit for the record our analysis and reasoning for so doing?

Senator MAGNUSON. Here it is right here.

LEASE VERSUS PURCHASE OF AIRCRAFT

While the Agency has a need for additional replacement aircraft it evaluates the economies to the Government involved in procuring or leasing such aircraft, as well as the availability of the particular type of aircraft required from leasing sources.

There follows a specific policy regarding the conditions under which aircraft for training will be procured or leased. This policy is based on a thorough study in depth of the advantages of the acquisition of each type of aircraft.

1. *Purchase conditions.*—The following criteria will pertain to the purchase of aircraft by the Agency for training purposes. These criteria are based upon the assumption that the costs of operation will be the same whether the aircraft be leased or purchased:

(1) The nonavailability of suitable aircraft from the military will be determined prior to considering purchase.

(2) The requirement for the type aircraft must equal or exceed 500 hours of training flight time per year for each aircraft purchased.

(3) The requirement for flight time must be concentrated geographically to a degree where it can be economically met by the number of aircraft being purchased.

(4) The projected requirement for training flight time must continue for such a length of time that it is more economical to buy than to lease the aircraft.

In applying this last condition, the number of years for which the training requirement is projected must exceed the purchase cost of the aircraft, plus spares, divided by the annual cost of the exclusive use lease of the aircraft on the planned utilization basis. For example, if the purchase cost is $1,100,000 plus 30 percent for spares (or $1,430,000), and the annual exclusive use lease cost on a 500 hours per year utilization basis is $300,000, the breakeven point (1,430,000÷300,000) is 4.77 years. Hence, in this case, the projected requirement would have to exceed 500 hours of training flight time per year for 5 years to justify purchase of the aircraft.

2. *Nonpurchase procurement.*—If the projected training requirement does not warrant the procurement for full-time use of the aircraft by annual exclusive use lease or by purchase, the following criteria will govern:

A short-term lease is warranted only if—

(1) The requirement for flight hours is concentrated geographically to a degree where it can be met by the number of aircraft whose lease is contemplated.

(2) The requirement for flight hours is concentrated in time to a degree where it can be met by short-term lease of the aircraft.

(3) Aircraft maintenance can be arranged on an economical basis.

(4) Lease is more economical than rental.

AIRCRAFT UTILIZATION

Mr. HALABY. We would like to go into the whole aircraft utilization record and give you reasons.

Senator MAGNUSON. We have had a lot of discussion on that and the types of aircraft you have. Your technical people know better than we do, but we want to get it as cheap as possible.

Senator ALLOTT. I have a list of these aircraft, Mr. Chairman.

Senator MAGNUSON. Yes.

Senator ALLOTT. Many of these have a very low utilization. This schedule you have put in the record from the Federal Aviation Agency shows that the Boeing C–135——

Senator MAGNUSON. That is the biggest.

Senator ALLOTT. Has a daily utilization of 3.15 hours. The Convair 880 has 2.2 hours. The Boeing 720 has 3.12, and the Lockheed L–188—what is that?

Mr. PRILL. The Lockheed Electra.

Senator ALLOTT. At 3.21. The Convair Allison, that is your converted Convair, converted to turboprop?

Mr. HALABY. Yes, sir.

Senator ALLOTT. 2.93. But many of these run down to as low as 0.33. The two Grummans are 0.33. That is a third of an hour a day.

RESEARCH AND TEST PLANES

Mr. HALABY. There are two aspects of this, Senator. One is that several of these aircraft are research and test airplanes, and one-third of an hour is not bad for airplanes that have to be instrumented and equipped for testing. I think that you will find that is true in manufacture and in NASA and the Air Force and Navy test centers. We could break those out and show them to you.

Three of the Grummans are in the test program.

PLANE FOR EMERGENCY USE

Senator ALLOTT. I can understand that.

Mr. HALABY. Another Grumman is used by me and our headquarters staff, and occasionally the Civil Aeronautics Board. It is an airplane that spends a lot of time, and does the job of a fire engine, waiting for an emergency use, such as going to an accident. It is also an airplane that is about as economical as you can get for that number of passengers. We are not running an airline, and any comparison with airline utilization is wholly fallacious. Their whole purpose is to get every hour out of the airplane they can, because that is the number of seat-miles they carry. Our whole purpose is to carry out the duties and missions for which we have the aircraft, and we do not just fly around in order to run up the hours.

BEECHCRAFTS

Senator ALLOTT. You have six Beechcrafts in Washington here, for example.

Mr. HALABY. No, sir.

Mr. PRILL. No, sir.

Senator ALLOTT. That is what this list shows.

Mr. HALABY. This document is a FAA document, you say?

Senator ALLOTT. I see it is broken down. Two in Washington and four in Atlantic City.

DC–4 AT ATLANTIC CITY

You also have a DC–4 at Atlantic City that has a utilization of 1.6 hours. It does not show what that is used for.

Mr. HALABY. This airplane has installed in it a blind landing system, and it has a very complicated test and other instrumentation and it is working here and in England to try to develop, and that is its sole purpose, the most efficient and safest blind landing system we can get, but it can only fly when everything else, all of the electronics, ground system and everything else, and the weather, are right. So utilization is very low. Is that correct, Mr. Blatt?

Mr. BLATT. Yes. For a great period of time it was down for installation of the equipment, the airborne equipment. It was necessary to install the equipment before we could do any flight work with the aircraft, but it was very limited in utilization. It is a test aircraft, and as the Administrator indicated, the objective is not to get many flying hours, but to get specific flying hours under specific meteorological conditions.

Mr. HALABY. The number of flying hours on the X–15 would probably amaze you too, because it is strictly a research airplane.

LOW USE FIGURES ON PLANES

Senator ALLOTT. On your DC–7 at Atlantic City you only use it 0.5, which is a half an hour a day daily utilization. My point on this is, I understand that you cannot put the same criteria to work on these that you do on airlines, because an airline is interested in keeping its airplane in the air as many hours a day as they can. When they start falling off, their profits start falling off.

But certainly these low figures on some of these planes here would indicate, for example, the 1.6 at Honolulu on the DC–4 and the 0.5 on the DC–7 at Atlantic City—would certainly lead an ordinary man to think that a lease might be a better method than investment.

Mr. PRILL. Mr. Chairman, on some of these airplanes they call DC–4's, these were military surplus C–54's. For example, the airplane kept at Honolulu is now being surveyed out of the fleet. It has not flown for some time. The corrosion in the airplane is so bad it will cost $100,000 to repair it, and we do not consider it a worthwhile investment of the Agency's funds. So that airplane is not in flying status.

Each of these airplanes, if we feel they must come to the fleet, are reviewed as to whether to lease or buy. It is part of the standard process and we always recommend the cheapest, which, by definition to us, is the best.

Senator ALLOTT. You have a Fairchild up in Alaska with 1.27, or an hour and a quarter, which you have described as logistic flying. It would certainly indicate there might be a more feasible lease method.

Mr. PRILL. I think that this airplane was given to us by the Air Force.

Senator ALLOTT. Given or not, it costs a lot of money to keep it up and keep them operating.

The only point I raise in connection with this is your low hours of utilization, even outside of things that are strictly so-called tech-

nical planes like the Grumman F–9–F, I suppose, and the Gruman SA–16. I don't know what that is.

Mr. HALABY. That is an amphibian.

Senator ALLOTT. What is its use?

Mr. BLATT. It is an amphibian aircraft and we have to use it for search and rescue work.

Mr. HALABY. It is an amphibian basically on rescue work.

Senator ALLOTT. The low utilization of these indicates, to me at least, that this thing ought to be given a real hard look for the purpose of cleaning out a number of these planes, because as long as you have them, you will have people spending time and money on maintenance and this can run into an awful lot of money.

Mr. HALABY. We agree with you. It is worth a continuing hard look.

One of our problems that we are now cleaning up is, we have not had as good a central management of this whole fleet as we should. We are in the process of getting a man from private industry who has some airline experience to provide the necessary central management, and better utilization. This has not been an easy recruiting task, but we are on to it.

I am sure you realize that the Alaskan C–123 has only limited seasonal use. It goes out and supplies and supports a lot of our remote facilities, and has limited activity during certain seasons of the year. Also that airplane has had a problem with the wing skin, and it has been under repair and modification for over 3 months, I think. Is it back on the line now?

Mr. PRILL. It is back on the line now, but it was in Oklahoma City being rebuilt. That rebuilding, incidentally, is one that the Air Force worked many hours on getting a better wing skin on it, and we are working with them closely.

EXPENSE OF OPERATION OF BEECHCRAFT

Senator ALLOTT. What are these Beechcrafts that are simply described as Beechcrafts? Are they DC–18's?

Mr. PRILL. They are C–45's, which is similar.

Mr. HALABY. I have a personal campaign to get rid of those airplanes because they are one of the most expensive per unit of work done, and also are not very easy to land or take off. Finally, repair and rebuilding work on them is very expensive. So I appreciate your wanting me to get rid of those.

INSTALLATIONS AT JOHNSON CITY, TEX.

Senator ALLOTT. I would like to ask this then: I understand that there is a radio beacon costing $22,115, and a landing light costing $7,150, installed at Johnson City, Tex., which has a population of 600.

Mr. HALABY. Johnson City, Tex., is a city in the State of Texas with only 600 population, but it happens to be adjacent to a location where the Vice President of the United States and the Chancellor of the Federal Republic of Germany, and various other official visitors of state fly in and out. It is about as austere a coverage as we dare permit there.

PROTECTION OF VICE PRESIDENT AND VISITORS

You will recall, a little over a year ago, the personal plane and personal crew, financed by the Vice President, crashed while approaching the Johnson City Airport. That gave us, it seems to me, confirmation enough that we would not want our Vice President nor state visitors to be subjected to that kind of danger. So we have a minimum, austere—and, in fact, I feel we should have more protection in there in some respects if we could afford it for this purpose. This airport is open to the public. It is not a private airport. It is not on the Vice President's ranch. It is a public facility.

If the President had a farm in Gettysburg, or some other location, I believe we would have installed, as was done before, more elaborate equipment for the utilization of one or more of our two top leaders. When the Vice President is no longer the Vice President, the Federal facilities there will be removed, and they will go back into our inventory or some other location.

This was done, by the way, not at the request of the Vice President, but because of our belief that we should provide this minimal protection to the No. 2 man in our executive branch of the Government, and to the various dignitaries of the world who come there and whom he entertains at his own expense and in his own way.

COMPLIANCE WITH COMMITTEE DIRECTIVE

Senator ALLOTT. I can't agree with the criteria you select in putting it there. I do not think it is justified. I wonder how far this might go in providing landing aids for other various important personages.

Senator MAGNUSON. If the committee directed you to take it out, you would take it out, wouldn't you?

Mr. HALABY. If the committee directed me to take it out I would have a hard time in refusing to do anything that the committee directed, but I would feel it most unwise, and I would feel we owed the President and Vice President of the United States some protection when they are on official trips to and from various locations.

I would be glad to submit for the relative cost of special facilities in the Federal Aviation Agency budget in the last two administrations, if that is desired.

TYPE OF BEACON

Senator ALLOTT. Is this an OMNI beacon?

Mr. HALABY. No, sir.

Senator ALLOTT. What is it?

Mr. HALABY. It is a low-frequency, directional homer, and there is a light there, isn't there? A single-light beacon. I tell you, Senator, you are a pilot, and you would not be very happy in a low ceiling with low-visibility conditions, making your way over to Johnson City, particularly if you had a chief of state or some other prominent visitor on board.

Senator MAGNUSON. I am a passenger, and I flew in there once. I hope it was safe.

REPORT ON CRASH OF VICE PRESIDENT'S PLANE

Senator ALLOTT. Do I gather from your testimony you are implying that the crash of Vice President Johnson's plane was due to lack of landing facilities there? I never saw any reports on the cause of that crash.

Mr. HALABY. We will be glad to give you the report on that accident. The Civil Aeronautics Board has reported on that accident and we will give it to you personally if you are interested. We will give you a copy of that report.

Senator ALLOTT. I am very much interested.

Mr. HALABY. And I would be hard put, right now, although I saw the first report of the accident, to tell you what the findings of probable cause were, and what proportion was due to navigation from the cockpit, and what proportion was due to lack of navigational and communication facilities, but we did not put in a VOR like the one we put in at Gettysburg, which is a very costly installation.

How much is the total cost of the installation of the VOR?

Mr. KING. I would estimate $120,000; the VOR at Gettysburg was a mobile VOR.

Mr. HALABY. Yes; and we took it out when the national need was no longer present.

Mr. KING. Yes, sir.

Mr. ALLOTT. Can I move to another phase of the facilities?

Mr. MAGNUSON. Are we staying on facilities and equipment?

Senator ALLOTT. Yes.

INSTRUMENT LANDING, ANDREWS FIELD

I understand that you provided, out of your appropriation, an instrument landing system at Andrews. I would like to know the circumstances of that, as to why this was not a military item, rather than an FAA item.

First of all, is this true?

Mr. HALABY. Yes, sir, it is.

Senator ALLOTT. What is the facility? What kind of a facility is it?

Mr. HALABY. At Andrews Air Force Base there is an instrument landing system, and the cost of that installation will be given in just a moment. This base is a military base. It is now used by the Air Force, Navy, Marine Corps, and by a surprisingly large number of the contract carriers, civil aircraft, coming in and out for various reasons. Also it is the home base of the Special Air Mission Group that flies the President and Vice President and other dignitaries, and it is the locale where most of the chiefs of state arrive by jet. It is not just a military base in the regular sense. This is one of the places where selectively we have been inching forward with the common system manned by a single career service. Therefore, the tower and the principal navigation communication facilities are manned and maintained by FAA personnel. The ILS there was needed for safety. It is needed for safety.

Mr. KING. It costs $276,470.

QUESTION OF RELATION TO MILITARY BUDGET

Senator ALLOTT. Let me get rid of some outside chaff here. I do not question the necessity for it, but the question I am asking is, Why was this in your budget, rather than in the Department of Defense budget, in which I think it belongs?

Mr. HALABY. I think I know the answer, but I would prefer Mr. Thomas to answer. You might have more confidence in it from him.

Senator ALLOTT. No, I do not question the need of this out there. I know what the base is used for, but I do question whether this is a thing that should have been paid for by you rather than the military, even though you supervised its installation.

Senator MAGNUSON. All right, Mr. Thomas.

RELATION OF ANDREWS' OPERATIONS TO OTHER AIRPORTS

Mr. THOMAS. Mr. Chairman, the total operations at the Andrews Air Base are interwoven with the operations at the Washington National Airport and with the new airport at Chantilly when it opens. We are responsible for the total traffic. This instrument landing system is to provide a southern approach to Andrews.

We are responsible for providing communications and traffic control and navigation into the Washington area, including the operation of the tower, the associated radar, and landing aids. As Mr. Halaby says, this is the first step in the provision of a common system of air navigation in this area.

RESPONSIBILITY FOR PLACEMENT IN FAA

Senator ALLOTT. This does not mean you will provide navigational facilities. My point is not a picayunish one about the need for navigational facilities here, or the fact that you will ultimately take over control of all these navigational facilities, but just a question of where this belongs in the budget. I seriously question that this does belong in the Federal Aviation Agency's expenditures, but belongs over in the Department of Defense's expenditures. This is the only question I have in this respect.

Senator MAGNUSON. Did the Bureau of the Budget do this? Maybe it is a prerogative of the Bureau of the Budget as to where they put this.

ANDREWS A UNIQUE SITUATION

Mr. HALABY. Of course, the military will not duplicate this equipment in that airport. This is a unique situation. I think you want the assurance we are not going around installing, on military bases, FAA equipment out of this budget. That is certainly the case. I do not think there is any other airport like this one.

Senator ALLOTT. Not only the assurance it would not be done, but also I would like to know why it was done here, and why you did not say in your negotiations with the Air Force, "You operate Andrews even though the Navy and the Marines and the other people use it, and why it was not taken out of their budget rather than yours. Your budget is already blown up about as high as we can stand it anyway, and we want to keep it down as low as we can."

FACILITY BEGINNING OF IMPLEMENTATION OF FEDERAL AVIATION ACT

Mr. HALABY. I appreciate that very much. The principal reason here is, sir, that this is a facility at which we are beginning to implement the Federal Aviation Act, which calls for one agency to have a common system to research and develop and install equipment for the common system of air navigation, communication, and traffic control. This is a unique place and location where in agreement with the Department of Defense we provided the ILS.

Senator ALLOTT. And it will be unique?

Mr. HALABY. Certainly at the present time, we feel a Strategic Air Command base has its own navigation, communication facilities, and its own ILS and radar approach control, and we have neither been asked nor would it be agreed by the Air Force that we put in an ILS at such a base.

Senator ALLOTT. I think the record is clear, Mr. Chairman. I just want to be sure of this. I do not think this should have been handled this way in the first place, and I just want to be sure that this is not a precedent. If we have an understanding it is not a precedent for the establishment of these, or for the payment of these facilities by the Federal Aviation Agency on military bases, because properly it does not belong in their budget, I am satisfied.

FORMER METHOD OF HANDLING TRAFFIC

Senator ELLENDER. How was the traffic handled in there before?

Mr. HALABY. By the military.

Senator ELLENDER. What became of that facility?

Mr. HALABY. We moved in and manned their facilities and several of their facilities require modernization at the present time, and we wanted to proceed with that modernization.

Senator MAGNUSON. We can ask the Bureau of the Budget and they can make this change so it would not be in there.

Mr. HALABY. It is a fundamental point.

ATTEMPT TO REACH STATED OBJECTIVE

Senator MAGNUSON. I still think where you go in and achieve this consolidation, that properly where you are actually doing that, I do not think you should be stymied and not be allowed this kind of appropriation in your budget where you see a chance to move in.

Mr. HALABY. Exactly.

Senator MAGNUSON. And reach our objectives and what we are trying to do here.

Mr. HALABY. That is exactly what I am trying to do.

Senator MAGNUSON. Because we are trying to consolidate in a systematic fashion, and where you have a chance to move in you ought to have the opportunity to put this on the table in your budget.

Mr. HALABY. I think what Senator Allott is concerned about is that they not duplicate——

Senator ALLOTT. No; this is not my concern. I am not concerned with your moving in, and I am not concerned with the program, and I am not concerned with the necessity of it, but I am only concerned with the items in here of 200-and-some-odd-thousand dollars, on an

Air Force base, that do not belong in the Federal Aviation Agency budget, but belong in the military budget. It is on an Air Force base. That is the only question I raise.

Senator MAGNUSON. All right. Are there any other questions on facilities and equipment?

GRANTS-IN-AID FOR AIRPORTS

If not, we go to the grants-in-aid for airports program. I read from the House report on page 7.

The House bill includes the $20 million budget estimate to liquidate contracts with municipalities for airport construction under the Federal Airport Act before it was amended last year. The committee also recommends $75 million to finance the fiscal year 1964 program, authorized by Public Law 87-255. About 10 percent of the grants each year are for new projects and the balance is for improvements to existing airports.

The Federal Aviation Agency have submitted a breakdown of the airports in the United States in which they are doing work under either one or both of these programs. For the benefit of the committee, it will be too long to put in the record, but they have broken them down by States.

Senator ALLOTT. Where is that?

Senator MAGNUSON. Do you have any more copies of this? It is the FAA press release which was released recently.

Mr. HALABY. Yes. I think he has one there.

Senator MAGNUSON. We will put the Agency's letter in the record in full.

(The information referred to follows:)

FAA ANNOUNCES FEDERAL AID FOR AIRPORTS FOR FISCAL YEAR 1963

The Federal Aviation Agency has allocated $74,283,719 for the construction and improvement of 419 airports under the Federal Airport Act for fiscal year 1963.

The allocation is the largest in the history of the program and was developed from requests by local communities amounting to $164,692,892. The local communities will match the Federal grants generally on a 50-50 basis.

A total of 202 of the airports to be developed under the program are for general aviation (nonairline) use exclusively. Included are 46 new airports, and improvements to 156 existing ones. The total Federal money for these projects is $18,688,915.

The remaining 217 airports—involving $55,594,804 in Federal-aid money—are used by both general aviation and the airlines. Funds are included for 4 new airports and improvements to 213 others. The 4 new airports are Sitka, Alaska; Grand Canyon, Ariz.; Sacramento, Calif.; and West Yellowstone, Mont.

At 391, or 93 percent, of the airports included in the program, the number of general aviation operations is larger than the number of airline operations. At the remaining 28 locations, general aviation averages approximately 44 percent of airline operations.

Of 419 airports in the program, 109, or 26 percent, are being allocated Federal aid for the first time. This includes the 50 new airports and improvements at 59 existing ones. Ninety-four of the 109 airports are general aviation fields.

Emphasis during the past year on fire and crash capabilities is reflected in the allocation of funds to construct buildings for fire and rescue equipment at 30 locations. The largest part of the total allocation, however, $39,009,801 (52 percent) is for the construction and improvement of runways and taxiways. An allocation of $17,718,303 (24 percent) has been made for acquiring land for clear zones and for airport development. The remaining money is for lighting, obstruction removal, and other safety items.

The 46 new general aviation fields listed in the program are:

Arizona: Phoenix-Northeast; Arkansas: Malvern, Mount Ida, Osceola; Colorado: Loveland, Salida; Florida: Boca Grande, Live Oak; Georgia: Blairsville, Thompson; Illinois: Pekin; Indiana: French Lick, Tell City; Kansas: Holton, Stockton; Kentucky: Bardstown; Massachusetts: Bourne, Hadley; Mississippi: Forest, Macon, Magee, Wiggins; Missouri: Branson, Carrollton, Trenton; North Carolina: Ahoskie, Long Beach—Southport; North Dakota: International Peach Garden; Oklahoma: Overbrook, Pryor; Oregon: Brookings, Cottage Grove; Pennsylvania: Lehighton; Tennessee: Camden, Dickson, Fayetteville, Gallatin, Jacksboro, Waverly; Texas: Yoakum; Vermont: Island Pond; Virginia: Grundy, Leesburg, Manassas; Wisconsin: Park Falls, New Richmond.

1963 Federal-Aid airport program—State summary of projects and funds

State	Number of projects	Federal funds	State	Number of projects	Federal funds
Alabama	6	$620,586	New Mexico	1	$48,617
Alaska	14	3,745,951	New York	12	7,950,274
Arizona	8	2,344,257	North Carolina	8	1,482,438
Arkansas	11	453,445	North Dakota	3	98,524
California	30	8,007,832	Ohio	4	1,674,150
Colorado	11	1,784,024	Oklahoma	10	1,609,459
Connecticut	3	465,500	Oregon	8	474,410
Delaware	1	108,000	Pennsylvania	17	2,283,384
Florida	16	2,181,032	Rhode Island	1	300,969
Georgia	12	1,547,717	South Carolina	4	738,055
Hawaii	3	1,545,225	South Dakota	2	57,144
Idaho	0	0	Tennessee	15	1,895,369
Illinois	28	6,457,243	Texas	22	4,144,900
Indiana	9	2,037,235	Utah	4	940,622
Iowa	10	754,877	Vermont	4	104,537
Kansas	8	636,274	Virginia	11	2,171,488
Kentucky	8	903,469	Washington	4	814,472
Louisiana	6	1,119,357	West Virginia	5	305,862
Maine	3	86,500	Wisconsin	8	545,055
Maryland	3	776,534	Wyoming	3	87,455
Massachusetts	11	1,739,869	U.S. total	418	74,240,249
Michigan	16	2,567,860			
Minnesota	16	1,213,156	Puerto Rico	0	0
Mississippi	9	1,084,946	Virgin Islands	1	91,720
Missouri	11	2,125,472	Territorial total	1	91,720
Montana	5	1,034,890			
Nebraska	5	626,025	Grand total	419	74,283,719
Nevada	4	180,127			
New Hampshire	3	287,311			
New Jersey	2	27,100			

BREAKDOWN OF STATE APPORTIONMENTS

Senator MAGNUSON. Here is a State apportionment breakdown of the amount of money going into the States for either improvement of the airports or grants for new construction, where the States have bonded it and there has been a local contribution.

Mr. HALABY. Yes, sir.

Senator MAGNUSON. Does anyone have any questions on that?

FUNDS FOR CONTRACT COMMITMENT

Senator MONRONEY. In other words, you get $20 million out of the old bill, which is an authorization for contract commitment.

Mr. HALABY. Yes The $20 million is not for new obligations, but to pay the bill for what we have already obligated; $75 million is the new obligation authority under the authorization in the act.

Senator MAGNUSON. The Senator from Oklahoma, of course, is so familiar with this program that I would defer to him to ask any questions about the progress of the program, or how they are coming out in it, or whether this money will be sufficient to carry out the intent of the act.

ACTUAL NEED ABOVE REQUEST

Senator MONRONEY. I think we actually need more than $75 million a year due to the requests we had for modernization of many of our major airports, and the needs of our general aviation airports, but if this is all the authorization allowed, it will carry the program 1 more year.

Mr. HALABY. Yes, sir.

Senator MONRONEY. In other words, the current program is financed out of money already in the budget.

Mr. HALABY. The President proposed last year a program of 5 years at $75 million a year, and Congress authorized last year 3 years at $75 million, and appropriated $150 million for 2 of those years. This is an additional $75 million to cover the third year authorized.

Senator MONRONEY. You will require another authorization next year?

Mr. HALABY. Yes, sir.

Senator MONRONEY. To keep you up with the funding already planned.

REASON FOR PROGRAM

Mr. HALABY. The reason why the President proposed such a program was that from all the States, cities, counties, and airport authorities of the United States, we had a very tight estimate of about $1,200 million in requirements over a 5-year period. The President's proposal called for meeting a little less than half of that through Federal matching grants and through the very wise and helpful counsel and guidance of the Senator from Oklahoma this money was to be concentrated on the safety features of the airport and not the comfort features. We feel a great deal of progress has been made because the airport is, after all, the start and the end of a flight, and it is the narrow point in the system, if not the bottleneck we are trying to build. If there are not enough runaways and if there are not enough airports and for light-plane, slow-moving traffic, it is a constant menace with heavy passenger-laden, high-speed traffic, and we have a great source of danger.

It was particularly Senator Monroney's amendment that drew or was designed to draw small-plane traffic out to general aviation airports and away from big jet airports, which was a very important step in this matter.

VIRGIN ISLANDS IMPROVEMENTS

Senator MAGNUSON. Could I ask one thing here? It is probably a minor item, but it intrigued me. In the Virgin Islands you are going to spend $91,000 to relocate an access road and build a security fence. What do you need a security fence around a municipal commercial airport for?

Mr. HALABY. The security fence is to keep animals, trespassers, hotrodders, and unattended children off the runways. That is a way of preventing accidents on the runway itself.

Senator MAGNUSON. I just was wondering why that was on a commercial airport. I know they have them around military airports.

Senator ALLOTT. Has that runway been extended outward, or how is it coming? The one at St. Thomas.

Mr. HALABY. The one at Alexander Hamilton Field, St. Thomas. It has been programed from 1961 and 1962 unused apportionment funds.

Senator MONRONEY. There is only one way you can extend it because there is a mountain on the other end. It is a very bad airport.

Mr. HALABY. It is a close decision because of the number of the usages of that airport per year and the question of whether there is any place to expand it after a small expansion for aircraft that are now being used in that area.

Senator ALLOTT. I have flown in there and question just a matter of interest as to how you were managing.

LOGAN INTERNATIONAL AIRPORT, BOSTON

I understand from Senator Saltonstall that there was a misunderstanding between the FAA and the Boston authorities that resulted in the temporary elimination of a projected $920,106 worth of land acquisition and airport improvements at Logan International Airport in Boston. This has now been rectified and the Federal-Aid airport program now lists Logan Airport.

Senator Saltonstall asked me to ask this: He would like to know if the work projected for Logan will be started in fiscal year 1963.

Mr. HALABY. The answer is yes, sir. Just one paragraph of background. We found on coming to this job that we were permitting monopolies to build up at quite a number of airports where a single man in a company would service, repair, and fuel aircraft. He had an absolute monopoly. No one else could come in and repair or service or maintain and sell fuel. In reviewing with our General Counsel, Mr. Goodrich, the interpretation of the Federal Aviation Act and the Federal Airport Act and the Surplus Property Disposal Act, I felt and so decided that this was not the intention of Congress. So we are now moving against these trusts at airports.

It happened we had some complaints about the monopoly at Logan, and we took that one up first.

Off the record.

(Discussion off the record.)

TEST CASE AT BOSTON

Mr. HALABY. We did have a test case there and they now have a competitor in there. As a result of that we are no longer withholding the aid because they have set up free and open competition there.

Senator ALLOTT. I think the question contemplated that the matter has been resolved.

Mr. HALABY. Yes.

Senator ALLOTT. You are doing this in other places too?

Mr. HALABY. Yes.

Senator ALLOTT. And I wholly approve of this policy.

MONOPOLY PROBLEM

Senator MAGNUSON. Can you get to the taxicabs too?

Mr. HALABY. No, sir, we cannot. That is the problem of earning some money.

Senator MAGNUSON. This is the real trust that goes on.

Mr. HALABY. But we earn money and lower the appropriations we need to ask you for, for Washington National Airport by giving one company the concession for tens of thousands of dollars a year. We are going to come to the Congress for an amendment to the Surplus Property Disposal Act as there is a unique little provision in there that says if it is a surplus property airport you may have a monopoly for fuel. That was passed during the war period, but in these days it is out of order, in my judgment, and we would like to ask you to amend that act so that an airport, if there is a surplus property airport nextdoor to a Federal-aid granted airport, there is no discrimination.

Senator ELLENDER. Do you not think it could be easily handled if and when a transfer is made to whoever desires it? I do not think you need legislation for that.

Mr. HALABY. I guess I am a little out of order here. This is before another committee, but I want to tell you that we cannot——

Senator MAGNUSON. The main man from that committee is listening to you down at the end of the table, so this is the right place to take it up.

Senator ELLENDER. On the legal aspect.

MONOPOLY ON FUEL

Mr. HALABY. The point is, if there is a surplus property airport transferred to a community under the Surplus Property Act, they may permit a monopoly on the dispensing of fuel, whereas if there is another airport which gets Federal grants they may not have a monopoly, and that is, you might say, an anomaly that I think you ought to clean up.

Senator MONRONEY. Almost every surplus airport that has been given to a city, if it has any commercial value whatever, has now received Federal aid under the Federal Aid Airport Act, which brings it under your control as far as the competitive situation is concerned.

GRANT TO BARROW, ALASKA

Senator MAGNUSON. Mr. Halaby, I have not been to the Virgin Islands and I have no intention to go there, but these other Senators seem to be very familiar with the Caribbean. However, I have been to Barrow, Alaska, on several occasions, and I see they are going to spend $403,000 there in a grant, and part of it is to acquire land.

What reason would you need to acquire land for in Barrow? There is nothing but Federal land up there, as I remember it—naval oil reserves, and Navy land. It may be the town of Barrow might have acquired some land. I do not know.

Senator ELLENDER. You have a few people there, Senator. I was up there.

Senator MAGNUSON. Yes. A few people own land. Maybe that is it. I was curious about another thing.

LAND ACQUISITION AT SITKA, ALASKA

At Sitka, Alaska, you are going to acquire land. I wish somebody would find out, because we are talking about the use of facilities and there is that old naval base up there, and as I recall it, the other land-

ing field is right next to it. I would like to have somebody find out and maybe they can save a lot. There is an old amphibious base up there where they had quite a large runway at Sitka, Alaska. The Navy has a skeleton operation, or will declare it surplus. There is an old amphibious PBY base there.

Are there any further questions on the grants-in-aid to airports?

RESEARCH AND DEVELOPMENT

We come now to research and development. The House committee recommends $35 million, and I quote from the report at page 7, "For research and development related to modernizing the national aviation system. This is $25 million below the appropriation for fiscal 1962 and $15 million less than the budget estimate. A carryover of $21,503,000 will be brought forward, making a total of $56,503,000 available for such research." When you add the House $35 million, that is.

Mr. HALABY. The President requested $50 million.

RESEARCH PROBLEMS

Senator MAGNUSON. We have discussed this business of farming out research problems. I do not think we need to go into that, because the record is complete on that.

Don't I have a list here of those research projects?

Mr. HALABY. You have a very substantial report on which we spent a great deal of effort.

Senator MAGNUSON. Here it is. Right here.

Mr. HALABY. Yes. That is part of it.

SYNOPSIS ON RESEARCH

Senator MAGNUSON. We will put in the record here the synopsis on research that you sent up to us, and the value of the plans, for the purpose of the committee. It is too long to put in the record, but there is a great variety of research programs. They have explained them in detail and the Agency has done one other thing which the committee would be interested in. They have a column alongside of all these on the results as to what has happened. It shows what is pending, and everything else. The committee can look at that.

HOUSE ALLOWANCE

You can address yourself now to the House amount. Are those figures correct—the carryover of $56 million?

Mr. HALABY. Yes.

Senator MAGNUSON. With the $35 million.

Mr. HALABY. That is correct.

Senator MAGNUSON. All right.

Mr. HALABY. The President requested $50 million for this activity.

OVERSEA EMPLOYEES

Senator MAGNUSON. Put in the record the number of people you have employed overseas.

Mr. HALABY. Oversea Federal Aviation Agency employees?

Senator MAGNUSON. And where. You mentioned England as one place.

(The information referred to follows:)

FEDERAL AVIATION AGENCY

Oversea office and positions

	1962 estimate			1963 estimate		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Flight standards service:						
Engineering, Air Carrier, and General Safety District Office: Puerto Rico, San Juan	4		4	4		4
International foreign offices:						
Argentina, Buenos Aires	4		4	5		5
Brazil, Rio de Janerio	4		4	5		5
England, London	5		5	6		6
France, Paris	3		3	3		3
Italy, Rome	5		5	6		6
Japan, Tokyo	5		5	5		5
Lebanon, Beirut	4		4	5		5
Peru, Lima	4		4	5		5
Philippine Islands, Manila	5		5	5		5
West Germany, Frankfurt	5		5	5		5
Foreign inspection groups:						
Germany, Frankfurt	8		8	9		9
Lebanon, Beirut	6		6	7		7
Total, Flight Standards Service	62		62	70		70
Office of International Aviation Service:						
International organization office: France, Paris	3		3	3		3
Airport administrator: Germany, Berlin		1	1		1	1
U.S. Member Air Navigation Commission: Canada, Montreal		1	1		1	1
Civil aviation assistant groups:						
Afghanistan		21	21		21	21
Argentina		5	5		5	5
Bolivia		1	1		1	1
Brazil		6	6		6	6
Cambodia		1	1		1	1
Ceylon		1	1		1	1
Chile		3	3		3	3
Colombia		3	3		3	3
Costa Rica		1	1		1	1
China (Taiwan)		3	3		3	3
Ecuador		4	4		4	4
Egypt		6	6		6	6
Greece		4	4		4	4
Honduras		4	4		4	4
Iran		7	7		7	7
Korea		5	5		5	5
Laos		1	1		1	1
Lebanon		3	3		3	3
Liberia		1	1		1	1
Nicaragua		1	1		1	1
Pakistan		8	8		8	8
Panama		1	1		1	1
Panama regional groups		8	8		8	8
Peru		3	3		3	3
Thailand		6	6		6	6
Turkey		11	11		11	11
CENTO countries projects:						
Iran		3	3		3	3
Pakistan		3	3		3	3
Turkey		7	7		7	7
SEATO countries projects:						
Spain		7	7		7	7
Syria		3	3		3	3
Thailand		3	3		3	3
Vietnam		5	5		5	5
Philippines		3	3		3	3
Israel		2	2		2	2
Indonesia		2	2		2	2
Total, Office of International Aviation Service	3	158	161	3	158	161

Oversea office and positions—Continued

	1962 estimate			1963 estimate		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Air Traffic Service:						
Air Traffic Control Specialist:						
Japan, Tokyo	----------	1	1	----------	1	1
Italy, Rome	----------	1	1	----------	1	1
Total, Air Traffic Service	----------	2	2	----------	2	2
Research direction:						
England, London	4	----------	4	4	----------	4
Germany, Frankfurt	1	----------	1	1	----------	1
Total, research direction	5	----------	5	5	----------	5
Total	70	160	230	78	160	238

OVERSEA EMPLOYEES OF OTHER NATIONS

Mr. HALABY. That is right.

Senator MAGNUSON. Put in the record, if you know, whether other countries have similar people over here.

Mr. DEAN. Do you wish to include Hawaii in the overseas?

Senator MAGNUSON. No, I mean just overseas outside of the United States, and where they are located.

Mr. HALABY. If other nations send people overseas?

Senator MAGNUSON. Does Air France, for instance, or BOAC, have some control people at Idlewild?

Mr. HALABY. Flight inspection or control people?

Senator MAGNUSON. They do?

Mr. HALABY. I do not know. I will find out.

(The information referred to follows:)

Foreign governments do not maintain inspector personnel in this country comparable to those we have abroad. There are two reason for this: First, practically all of the foreign international carriers are state-owned, and the crew personnel are government employees. Secondly, U.S. civil aviation standards are the highest in the world, and foreign crews and aircraft landing here must meet our standards.

Most foreign governments operating aircraft into the United States do have on their embassy staffs those who might be called commercial air attachés. Also, from time to time, they may bring in specialists when specific problems arise. However, these people are more concerned with what might be termed the diplomatic aspect of international aviation, and do not delve into the routine operation and maintenance of aircraft as do our personnel abroad.

STATE DEPARTMENT EMPLOYEES

Senator MAGNUSON. It seems to me we are going overseas and taking care of our problems.

Senator ELLENDER. Not only ours, but theirs.

Senator MAGNUSON. It seems to me we ought to take a look at this.

Senator ELLENDER. The people you have overseas are under the State Department.

Mr. HALABY. No, sir.

Senator MAGNUSON. No, sir. They are under FAA.

Mr. HALABY. He is referring to FAA employees overseas, giving assistance and surveillance over our own air carriers. For example, in Rome, I think, we have five or six people. They oversee the operation at TWA and Pan American, and the operators that go through Rome. If they have an engine burn out, or something like that, they have to get a change of engine and get approval of the modification. We have them at Beirut.

Senator MAGNUSON. And some in Panama.

Senator ELLENDER. You have some in State assigned by your office.

Mr. HALABY. We assign people to State and they have just a handful of people.

FAA OVERSEA DUTIES

Senator ELLENDER. It is quite a big handful when you toss them all over the world. The people Senator Magnuson is talking about are independent from the State Department.

Mr. HALABY. Yes, sir. They are in the country team, but they are Federal Aviation Agency employees assigned to these flying and inspection and surveillance duties.

Senator ELLENDER. What is the difference in what they do as compared to those in State?

Mr. HALABY. These are technicians who are inspecting aircraft or inspecting operations.

Senator MAGNUSON. And control.

Mr. HALABY. Of U.S. aircraft and U.S. airmen, and repair facilities that service U.S. aircraft. I think there are five men working on research and development in London and in Frankfurt, Germany. The total number of FAA employees for oversea operation is 78. Those are the FAA people that we fund.

Senator ELLENDER. Those are the ones you furnish?

Mr. HALABY. I think what you were referring to was the technical assistance fellows, who are under ICA.

Senator ELLENDER. For each large embassy.

STATE DEPARTMENT AND AID EMPLOYEES

Mr. HALABY. The total number funded by either State or AID is 160. Those are people who are in South America or the Middle East or African countries, and install a VOR, or a transmitter, or a receiver. They do this work and then come home.

Senator ELLENDER. But the ones I have in mind give assistance to the local people there.

Mr. HALABY. Yes.

Senator MAGNUSON. Yes, they do.

Senator MONRONEY. That is not charged to FAA. The 78 are there as technicians to advise on outages of navigational systems, and to inspect the angle on American aircraft, and other things.

Mr. PRILL. Not to advise. Senator Monroney said, "to advise." It is not to advise.

Senator ELLENDER. Those who work with the State Department are really under them.

Mr. HALABY. I am sorry.

Senator ELLENDER. You have no jurisdiction over those who work with State.

Mr. HALABY. They are assigned to AID.
Senator ELLENDER. And they are paid by——
Mr. HALABY. By AID reimbursing us.
Senator MAGNUSON. Not the technicians though.
Mr. HALABY. No.
Senator MAGNUSON. They are FAA.
Mr. HALABY. Technicians are FAA throughout.
Senator MAGNUSON. For instance, do we have some in Tokyo too?
Mr. PRILL. Yes.
Mr. HALABY. We have a five-man office.
Senator MAGNUSON. But the Japanese lines would not have one at Seattle, or Anchorage.
Mr. HALABY. I am not sure of that.
Senator MAGNUSON. Let us find that out.
Mr. HALABY. There is an important thing here we have to bear in mind. Almost all of the foreign air carriers are the nationalized carriers. So almost any man they send over can be said to be a Government man, in effect.

U.S. TECHNICAL ADVISERS AT FOREIGN AIRPORTS

Senator MAGNUSON. What I am talking about is we furnish technical advice at foreign airports for our aircraft. We also aid, I suppose, in an indirect way, the foreign aircraft. I am wondering whether the foreigners deem it desirable to have technicians to aid their aircraft landing in the United States, or counterparts of this?
Mr. HALABY. It is not just aircraft, but it is U.S. passengers we are primarily interested in; and, secondarily, the aircraft and the crewmen; and, thirdly, some of these foreign carriers coming into the United States want to know whether they are complying with the civil air regulations of the United States.
Senator MAGNUSON. Sure. I suppose the Japanese Air Lines have some Japanese people at the desk there, administrativewise.
Mr. HALABY. Yes.
Senator MAGNUSON. But I am wondering if the relationship of technicians is a reciprocal one.
Mr. HALABY. I think what we need to dig into is to see, for example, in Seattle, what Japan Air Lines do about seeing that Japanese air regulations are complied with when Japan Air Lines is in Seattle. I think we have to get into that.
Senator MAGNUSON. You should dig in to see if there is some reciprocity here. Now we go back to research and development.

CHANGE IN ORGANIZATIONAL PROJECTS

Mr. HALABY. If I could refer to pages 6 and 7 of the statement, I will just make two points there to save your time.
Senator MAGNUSON. All right.
Mr. HALABY. We have taken a very hard look at the whole research and development program. I think it is fair to say, and objective to say, that the program was not oriented toward a whole system but was going off into individual projects. It was not well organized, and it was poorly managed. We have done something about it. We canceled some contracts and projects. We deferred action on others, and

we have come a long way since we were last before you, on an integrated system plan. We have a new manager of research and development, Mr. Blatt. Then we have centrally, under one of my three deputy administrators, Mr. Shank, a whole new management of this program. We are not out of the woods and into the forest yet on this, because there are still too many projects, and we are still trying to tighten the whole thing up, but I submit it is not time to curtail the level of research and development just as we complete this new management and new organization and new approach.

RESTORATION REQUEST

Therefore, we request that you restore the amount reduced by the House. I point out it is only 5 percent of our capital investment that would be devoted to research and development.

TYPE OF RESEARCH

Senator MONRONEY. May I ask you another question? It all deals with hardware and such things, not the human element. Is that correct?

Mr. HALABY. Almost all is on hardware. In the medical research portion there is some. But I think it is only $2 million out of the $50 million we are requesting. You see, this $50 million is below last year's level. We requested $10 million less than last year.

Senator MAGNUSON. Yes, $35 million is $25 million below the 1962 amount, and $15 million less than the budget estimate.

Mr. HALABY. Yes.

AMOUNT IN PIPELINE

Senator MAGNUSON. But what the pipeline shows is $56,503,000. Is that higher or lower than last year's pipeline amount?

Mr. HALABY. Mr. Blatt.

Mr. BLATT. Lower than last year.

Senator MAGNUSON. You mean you had more?

Mr. BLATT. In last year's pipeline we had 76.

Senator MAGNUSON. That is right.

Mr. HALABY. Would you briefly summarize the situation as you see it?

Mr. BLATT. Yes, sir.

ESTABLISHING CAPABILITY IN RESEARCH

Mr. HALABY. Mr. Blatt is one of the top career officials of the agency and has been in charge of this for several months now. Mr. Shank has been with us only for 60 days.

Mr. BLATT. Mr. Chairman, and gentlemen, I think it is important to realize that prior to 1958 there was virtually no effective integrated inhouse or contractual research and development capability in the air traffic control and navigation field. The first effort of the Airways Modernization Board and the Federal Aviation Agency, after it became established, was to try to establish this capability. We established this capability through the management of the contract program, and through the manning of our research and development or-

ganization—we feel now that by the end of 1962 we have created both an inhouse and a contractual research and development capability, uniquely competent to meet our needs.

DEPARTMENT LIAISONS

We have done many other things, I think, that are effective in our research and development effort. We have established liaison with the Department of Defense, with the Department of Commerce, with NASA—liaison that should provide good program coordination; should provide for the establishment of complementary programs; and should provide us with some guarantee that there would not be waste from duplication.

We have made organizational changes within the Federal Aviation Agency and have provided a mechanism for the receipt and interpretation of military requirements which will guarantee the integration of military requirements for airspace research and development with the requirements of other users of the airspace.

TECHNICAL ADVISORY BOARD

We have established an Agency Technical Advisory Board. This is a Board that serves without compensation and reports to the Administrator with respect to the technical adequacy of our programs and the technical efficiency of our programs. It should provide us with a means of assuring that we are utilizing the current state of the art.

SYSTEM DESIGN TEAM

During the past year, as an in-house activity, we have established a system design team. We drew together from the Agency what we considered were the 13 most competent specialists and systems engineers. We put them into a separate team organization and asked them to develop a total airspace utilization concept. On June 30 this concept was produced. We feel that with the publication of this system design team report the Agency will have for the first time both a technical and operational description of the system of the future. This will provide us with the research and development guidance that we need. It must be understood that the conception, the research, the development, the test, the experiments, and the evaluation cycle—this very cycle for the development of subsystems and major components, for systems of the magnitude and complexity of an airspace utilization system, is approximately 5 years. If you would add the implementation phase to this cycle from a total system concept, from development, through implementation—and I am now talking about implementation on a total national basis—it will be approximately a 10-year cycle.

CRITICAL PERIOD IN RESEARCH EFFORT

I believe that the next 18 months are critical to this research and development effort. This 18 months' period that began with July 1, 1962, is the period in which we will be developing the breadboard laboratory model of this National Air Space Utilization System of the future. It is our plan, and we are quite confident we will meet this

plan, that by January 1, 1964, we will have functioning an operating laboratory model of the system that will reflect the concepts of this system design team. I think we must have these funds to carry out the total program.

FORMER EFFORTS SCATTERED

Senator MAGNUSON. All right. When you talk about the 5-year and 10-year concept I think that this is not necessarily due to anyone here, but this is the way this thing started, and I think we are a little bit at fault in it because in the beginning of the Federal Aviation Agency we encouraged outside contracts. If you look at this list, some of them were pretty scattered, like scattering buckshot, without the concept you are talking about. What happened was that the whole program was not very satisfactory. There was too much emphasis placed on trying to get the ultimate in these particular cases. You would have a project that would be 50 percent completed and you would scrap it and start all over again. It was a case sometimes where the right hand did not know what the left hand was doing. You could have planned, but rather it was an attempt to see what we could do for today's operation rather than what you got out of your project. I think that is a fair analysis of what happened. You cannot point your finger at anyone person, but when you look at this and go over it you see there is a lot of buckshot that has been scattered and shot around.

Mr. HALABY. That is absolutely right.

Senator MAGNUSON. And this is the whole program. Everyone was trying to think, what will the airplane be 10 years from now. If a fellow had something for right now, a lot of times the plan was lost of trying to reach the ultimate, but you still have to have the plan you are talking about.

THREE SUBPROGRAMS

Mr. BLATT. Mr. Chairman, we have to conceive of our research and development program as functioning with three subprograms. One subprogram is the in-service program. What do we do immediately to take advantage of the state of the art?

Senator MAGNUSON. That is right.

Mr. BLATT. You have a second program, or subprogram, which is the next generation's system. You have a third program, which is small, in which you are trying to keep an interest and knowledge of the state of the art in future developments. What are the techniques of the future? For example, what will be the replacement acquisition system for radar?

Senator MAGNUSON. But that program has to be a small part of the real workload.

Mr. BLATT. That is correct. It is small.

Senator MAGNUSON. Because a good corporation wants to carry out research on what they can sell now.

Mr. BLATT. That is correct, but you must have these three definable subprograms.

TYPES OF CONTRACT

Senator MAGNUSON. That is right. Before the rest of the committee begins, I want to ask these questions for the record. On these contracts—this myriad group of contracts—do you award fixed fees, or cost-plus fixed fees?

Mr. BLATT. Our research and development contracts are normally awarded on a negotiated basis—a competitively negotiated basis—for a cost-plus fee contract; not necessarily a fixed fee. We are going more and more into incentive fees, trying to associate the amount of the contractor's fee with whatever it is that is most urgent in the project, be it time, quality of end product, or some other factor.

REQUEST FOR BREAKDOWN

Senator MAGNUSON. Maybe if it would not be too much trouble, you could break down, for us, the number of cost-plus fees and the number negotiated, and so forth. We can get it out of here, but maybe you have it.

Mr. BLATT. We can give you an outline.

(The information referred to follows:)

Seventy percent of the funds for our R. & D. programs are expended by the use of cost-plus-fixed-fee contracts. We have many fixed-price contracts for our smaller programs involving R. & D., studies, and services. We also have a large number of fixed-price contracts for supplies and standard equipment. The following is a list of the contracts we have used since the establishment of the Airways Modernization Board:

Type of contract	Number	Percent of funds
Cost plus fixed fee	210	70
Fixed price (R. & D., studies or services)	322	12
Fixed price (supply and equipment)	590	9
Incentive	7	7
Cost type	12	1
Other (maximum price, time and material, etc.)	9	1
Total	1,150	100

Even though only 7 percent of our funds have been obligated on incentive contracts, we are now moving in the direction of this type contract.

CONTRACTS WITH PENALTY CLAUSE

Senator MAGNUSON. How many contracts have ever contained a penalty clause?

Mr. BLATT. In research and development, sir, I do not believe we have ever had a penalty.

Senator MAGNUSON. You never had a penalty clause?

Mr. BLATT. We use penalty clauses in contracts for our construction work at NAFEC, but not for our R. & D. contracts. We average 20 penalty clause contracts per year.

Mr. HALABY. We have some mean ones in the procurement of facilities, though, that are causing screams of anguish from various contractors, and Mr. King has a list of those if you want them.

Senator MAGNUSON. I think we would like those.

Mr. HALABY. It is a substantial list, and it is making us very unpopular in industry.

(The information referred to follows:)

PENALTY CLAUSES IN CONTRACTS FOR OTHER THAN RESEARCH AND DEVELOPMENT

During the 1962 fiscal year the Federal Aviation Agency let approximately 1,220 contracts for activities financed by the "Facilities and equipment" and "Operations" appropriations. Of this number, 488 contained liquidated damages. Many of the contracts not containing liquidated damages were for studies, training, rental and stock items of supplies and equipment so that liquidated damages were not appropriate.

CERTIFICATES OF EQUIPMENT

Senator MAGNUSON. Do you ever require a manufacturer to have a certificate of equipment?

Mr. BLATT. A manufacturer?

Senator MAGNUSON. I mean, to certify that this is it.

Mr. BLATT. No, sir. Most of our research and development contracts are what might be considered best effort contracts. You cannot normally get a guarantee of production on something that has not been invented yet.

Senator MAGNUSON. Are there a lot of contracts where this would not be necessarily possible?

Mr. BLATT. That is correct, sir.

Senator MAGNUSON. How much time do you have to spend on looking at new equipment? Somebody has a new idea, or something like that, for example.

Mr. BLATT. I would say approximately one-third——

Senator MAGNUSON. You are not ordering anything, but just looking at something.

Mr. BLATT. That is right. I would say approximately one-third of our effort results from what we call unsolicited proposals, that is, the proposals of industry where these are not ideas that are generated within the organization, but ideas they have generated as a result of research and development in industry.

CONSULTATION WITH AIR OPERATORS

Senator MAGNUSON. Yes. There has been some complaint—I should not say that, but I think there has been some justifiable discussion that in the research and development there is too little consultation with the air operators themselves. That is a hard question to answer.

Mr. BLATT. No, sir. It is a very, very valid statement. I would like the opportunity to answer it.

Senator MAGNUSON. They do not know, sometimes, what is going on, and maybe they could be helpful in helping you to simplify these problems. I just put that out as a thought. I think it has come to me on many occasions.

Mr. HALABY. Yes, sir. It has come to my attention also and it is prevalent. We have a Technical Advisory Board made up of objective nonpressure group interests who are aware of the needs of the various parts of the community.

Secondly, we have a series of conferences, discussions and exposures. Just the other day Mr. Shank and Mr. Blatt had a meeting with about 500 people who had been involved in this system design, and it is our intention to disclose, a discussion; but it is very difficult to do that and have people satisfied with what they hear.

Senator MAGNUSON. Of course, I do not think you should get yourself in a position where they should start to dictate what you should do. You have to be independent.

Mr. HALABY. That is right.

Senator MAGNUSON. But you know they can be very helpful in this business if they know what you are trying to do and have some knowledge of it.

REORGANIZATIONS EFFECTED SINCE 1958

Put in the record how many reorganizations have been effected in research and development since 1958.

Mr. BLATT. Number of reorganizations?

(The information referred to follows:)

Since the initiation of the Research and Development organization in the FAA in 1958, there have been four major reorganizations. They have been initiated by the Service Directors in order to adapt continually the organization of the Service to changing research and development needs. The National Aviation Facilities Experimental Center has been regarded as an integral part of the Research and Development organization and has been involved in each of these reorganizations.

It should be noted that during this period the Research and Development organization grew from a small nucleus of the Air Navigation Development Board and Technical Development Center of the Civil Aeronautics Administration to an organization of approximately 1,600 people, with an established National Experimental Center and a contract program of approximately $38 million. Reorganizational alinement has been a continuous necessity in adequately adapting these growing resources to our research and development problems.

Senator MAGNUSON. And how many reorganizations have occurred in the Atlantic city sector. Also your personnel turnover. I do not know whether you want to explain it, but what happened to the electronic radar handoff device? Was that a failure?

Mr. BLATT. No, sir.

Senator MAGNUSON. Put that in the record, because there has been some question about that.

Mr. BLATT. All right.

(The information referred to follows:)

The present research and development efforts in perfecting electronic handoff devices for application to air traffic control are oriented toward the system aspect approach—this approach is being taken with due consideration to results obtained from prior radar handoff projects. During the last 2 years a total of $262,000 has been expended in direct contractual effort on the radar handoff project. Of these funds, $213,000 was expended for development of a prototype handoff device for use with scan converted TV equipment. The remainder of the funds was expended for two parallel system analysis studies to determine the impact on the overall system by the application of the handoff equipment. The prototype electronic handoff device has been tested at the National Aviation Facilities Experimental Center. The results of this testing and the study reports received from two individual contractor sources show the performance of this type handoff equipment to be marginal. The device cannot be applied to the existing system without extensive modification and change to other elements of the system. For these reasons, the present research and development effort is directed toward incorporating handoff features into the systems being developed wherein total system errors can be controlled.

Provisions are being made in establishing experimental test facilities to incorporate electronic handoff features so that functions and techniques may be analyzed for application to the National Airspace Utilization System. When perfected, electronic handoff techniques will provide greater precision in the location of aircraft for handoff between sectors within a center area, between centers and control towers, and between adjacent centers. Electronic handoff techniques will also greatly reduce the verbal communications between controllers in the performance of aircraft handoff, thus freeing more time for other controller functions.

In fiscal year 1962, a total of 63 controllers (center, 38, towers, 25) was authorized to provide radar handoff functions. In fiscal year 1963, it is anticipated that 477 (centers, 260, towers, 217) additional controllers will be required to provide the radar handoff functions. Projections for personnel requirements beyond the next 2 years are not available at the present time; however, it is possible that the 540 controllers will be sufficient for the next several years. If a satisfactory electronic handoff device is developed and installed it is expected that nearly all manpower directly employed in this activity can be released to other tasks.

DATA PROCESSING CENTRAL COMPUTER

Senator MAGNUSON. And one more thing here. Mr. Halaby and all of you mentioned the data processing central computer system on many occasions. It is my understanding over $50 million in outside contracts alone has been spent on this development. You can put in the record what is the present status of the system, and when we can expect the working hardware to be placed in operation, and all of the features of it, because this is a big, big expenditure.

Mr. BLATT. Yes, sir. We will give you the complete story in the record.

(The information referred to follows:)

The data processing central system per se, as originally designed, does not exist today, and its proposed evaluation as an integral system has been terminated as a direct result of recent Agency conclusions resulting from component evaluation and system analysis.

The experimental data processing and display facility now being assembled at National Aviation Facilities Experimental Center will make use of DPC equipment. It will be used for evaluation of procedures, techniques, and equipment being developed to meet the concepts currently being specified by the system design team. The DPC system included techniques that necessarily are an integral part of any future air traffic control system. DPC equipment by direct use as is, and by modification, will significantly expedite the establishment of this new experimental facility. Data processing central's contribution to the new system will, however, be far greater than the use of DPC equipment in the experimental environment. Through DPC very real and substantial gains have been made in the advancement of techniques essential to any automated ATC system. Examples of fundamentally important areas are—

1. Flight plan acceptance and extrapolation.
2. Generation and display of alphanumeric and pictorial information for control purposes.
3. Terminal area traffic sequencing and control.

The basic ATC system will be modular in design and, as such, will be implemented at the different facilities with varying capability according to operational and economic considerations. A realistic projected cost estimate of final implementation of the complete automatic system is not yet available and is contingent upon the prototype system to be specified.

There are now five off-the-shelf type rental computer systems in operation at five air route traffic control centers. They are Washington, New York, Cleveland, Boston, and Indianapolis. The annual rental cost of these systems varies, from $408,000 to $506,000. The average annual rental cost for the five systems is $459,600.

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The Agency originally had plans for leasing five additional computers, operation to begin in late fiscal year 1961. However, the adjusted fiscal year 1961 Agency expenses program did not provide for rental funds for these additional systems. Funds in the amount of $179,994 for ancillary teletypewriter equipment to support these five additional systems was appropriated by the Congress in the fiscal year 1960 facilities and equipment program. This equipment was purchased and later diverted to the communications teletypewriter program.

Senator MAGNUSON. I do not have any further questions. Are there any questions?

Senator ALLOTT. I have just one thing.

BENEFIT OF PATENTS

In looking through your research projects here, my eye finally lit on this one on the DME phase. I noticed the contractors here were Stromberg-Carlson and I.T. & T., Narco, Haseltine.

Senator MAGNUSON. It is a big spread. There is no monopoly involved there.

Senator ALLOTT. The thing I am concerned about in these research projects you give to these people, and which are financed by the Federal Government, is who gets the benefit of the patents, or what would develop into patents that come out of these ideas? I will ask this question and give you the context of it, so you will know what I want.

I have long thought that the cost of ordinary navigational equipment and other equipment for light commercial planes is far in excess of what it ought to be in this country. I know the Federal Aviation Agency has done a lot of work in the past to try to bring this down, but nevertheless the newest piece of equipment I saw advertised the other night by King, which is a one and a half system, still runs for the one and a half somewhere around $1,500.

My point is, if we are financing this, are these patents then available to the public domain, or are they the property of the people who get the benefit of the research contracts?

FEDERAL TITLE TO PATENTS IN FEDERALLY FINANCED PROJECTS

Mr. BLATT. Sir, I cannot answer just yes or no on this question. If the contract is wholly financed by the Federal Government, and you must understand that some contracts we enter into are on a cost-sharing basis, we have a fixed policy. So first let me answer your question concerning a contract where the contract is wholly funded by the Federal Government. It is our present patent policy, the policy of our Agency, that where we pay for the total research and development, one of the products we have procured is the title to any patentable concept that comes out as a result of that research and development. The answer is, on federally financed research and development of this Agency we get title to the patent itself. We license the developer at a royalty that would return to the Federal Government the cost of the research and development. In other words, we attempt to receive back into the Treasury of the United States the cost of development. Once we have received back this cost, then the license is in the public domain and we will freely license any manufacturer of this product.

JOINTLY FINANCED PROJECTS

Senator ALLOTT. What about the ones that are jointly financed? What understanding do you have about patentable ideas on those?

Mr. BLATT. This is done on a contract-by-contract basis, depending upon the state of the art and the background of the particular development. To determine whether or not the specific patent or patentable concept is a direct result of the Federal financing is difficult and there is no single way that this can be done.

It is dependent upon the percentage of financing that the Government is doing. In many cases we are just a token financer, just to keep an interest in the development and to have a voice in the development of the product.

COST OF SAFETY FEATURES

Mr. HALABY. The Senator is interested in how you get the cost of safety features like transmitters and receivers on small-plane pilot equipment.

Senator ALLOTT. I am thinking of the automatic pilots, and all of these things.

Mr. HALABY. It is fair to do so. Most of the contracts in that list are directed toward major components such as radar, or some ground-based equipment, rather than the competition between Narco and King and New Orleans and the other makers of small-plane equipment. I really feel, as you have mentioned, we can do a little research work. We did do it on a transceiver, and we did it on a poor man's test-measuring equipment, and then we put that out. That is out in the public domain. Anybody can build it, and the data is available. We have helped in that respect, but the only thing that will really help is for the manufacturers to get their costs down and for the customers to come in such volumes that volume production will reduce the costs. All of those products for general aviation continue to rise here so the volume market must be there so there will be a little hope. But the costs of building this equipment to the precise standards required for safety is the toughest part.

Senator ALLOTT. Are we going to talk about the supersonic plane or not, Mr. Chairman?

Senator MAGNUSON. Yes.

Senator ALLOTT. I would like to go into it a little bit.

Senator MONRONEY. I have some on this too.

Senator MAGNUSON. We will come to all of these. I am taking them one at a time.

NEW DESIGN FOR COMMERCIAL PLANES

Senator ELLENDER. How much of this research, if any, is used to design new planes for commercial aviation?

Mr. BLATT. None of the funds in this budget are for the design of new aircraft.

Senator ELLENDER. It is only equipment?

Mr. BLATT. Primarily air navigation. We do aircraft research in the determination of standards and requirements, and to determine the use of those standards and parameters for our Flight Standards Service in the development of the civil air regulations, but we are not developing any aircraft under this appropriation.

Senator MAGNUSON. Go ahead, but I think you evaluate aircraft design.

Mr. BLATT. Not under this appropriation.

Senator MAGNUSON. Not under this appropriation?

Mr. HALABY. We are doing what we call feasibility studies there, and the time of our people goes into such things as how can we get a cheaper operating local service air carrier, but we have no airplane designers designing an airplane.

Senator ELLENDER. That is what I had in mind.

Mr. HALABY. On the supersonic transport work, it is a special program set out separately from the research and development, and whenever you are ready we can come to that subject.

Senator ALLOTT. I asked about that because it was in your statement.

QUESTIONS FOR RECORD

Senator MAGNUSON. Yes. Then to finish research and development, here is a group of questions you can answer for the record. A lot of these I know. There are some older ones here, but there are some dillies in here.

Mr. HALABY. Mr. Chairman, we will answer anything you want for the record, but do you want these answered before the record is closed? Because this would take some time—just zipping over them, to answer these would perhaps require everybody in the research organization to turn to this.

(The information referred to follows:)

GENERAL QUESTIONS

RESEARCH AND DEVELOPMENT

GENERAL

Question. I understand that the Agency has been devoting considerable energy to the development of an all-weather landing system. What progress has been made to date?

Answer. Considerable progress has been made. Our present development program is aimed toward providing the lowering of ceilings from 200 to 100 feet and the reduction of visibility minima from one-half to one-quarter of a mile. The lighting developments to provide the above described operational performance have been carried on in three different areas. These are approach lighting, touchdown zone lighting and runway centerline lighting. Lighting equipment has been developed and is available for installation at the present time. Many improvements have been made on a system to provide electronic guidance to 100-foot elevation with one-quarter mile visibility on the landing approach. Work has been carried out on ground guidance and self-contained techniques, monitoring, airborne displays, flight computer, and autopilots. Waveguide localizers and far field monitoring to provide azimuth guidance are now being commissioned. It is envisioned that we will be able to demonstrate consistent and safe 100-foot ceiling with one-quarter mile visibility landings at the National Aviation Facilities Experimental Center by fiscal year 1964. Simultaneous with the above effort, we aimed at an integrated all-weather final approach, flare, and landing system with all-weather takeoff capability for both manual and fully automatic operation. This is a longer range objective and will be accomplished by a thorough examination of the various guidance techniques available and the deliberate choice of optimum ones to synthesize the all-weather system.

Question. What consideration, if any, has been given to charging manufacturers for certification of equipment—in a manner analogous to that of the Food and Drug Administration with respect to medicines?

(*a*) In this line, the FAA devotes a substantial amount of time to evaluating various proposals, equipment, and other air safety devices. There is no question that in certain instances this is primarily to the advantage of the Government; in other instances, however, the advantage accrues primarily to a manufacturer desirous of selling a product. Do you now have a program, or have you given consideration to the possibility of charging such people for performing this service—under what circumstances?

Answer. The possibility of charging manufacturers for the certification of equipment has been under active discussion within the Agency for considerable time. To date the facilities at the National Aviation Facilities Experimental Center, due to the press of our program activities, have not been available for such purposes and there has been very little demand by industry for such service. If these facilities are to be used for the certification of equipment, it is our opinion that such use must be on a time-available basis with full reimbursement made to the Government for costs incurred.

When it is determined that the evaluation of proposals and equipment furthers our research and development efforts and are not for the purpose of certification we could do such evaluation without reimbursement.

Question. It is my impression from discussion with various users of the airspace—and this includes general aviation people, the commercial airlines, and the airframe manufacturers—that they have been consulted to a very limited extent with respect to the various contracts funded under the research and development progam. These people, of course, are necessarily greatly interested in the Agency's research and development activities.

(*a*) Would you comment as to what extent the Agency does consult with airways users, and to what extent it keeps them advised as to the progress being made on the various projects that are undertaken?

Answer: Consultation with representatives of the aviation community is a continuing activity. Frequent informal discussions between individuals in the Agency and in the industry are routine. Formal meetings are less frequent but do occur on an intermittent basis, as the occasion demands. Illustrative of this are a weeklong meeting this past March between the research and development system design team and industry representatives, and an Agency-wide meeting in February with industry relative to airborne equipment. There also exists an industry-Government committee on collision prevention which meets on a scheduled basis. Through these formal and informal contacts the aviation community has the opportunity to discuss areas of interest, as well as to keep abreast of current research and development work. At the completion of projects printed reports are, of course, available to all through normal channels.

The handling of individual research and development contracts in terms of bid proposals, award, and performance is in accordance with applicable Government regulations. As such they are not subject to individual discussion with industry.

The above should not be taken to indicate that we are content with present methods and procedures for liaison with airspace users. We are constantly investigating mechanisms for improving our relations with all segments of the aviation community. We recognize the need for receiving the comments and suggestions of the aviation industry and the need to keep it informed with respect to our activities.

Question. How many people employed in research and development?

Answer. 1,555 people were employed in research and development on June 30, 1962.

Question. What is the personnel turnover?

Answer. Personnel turnover has averaged 1 percent per month over the 30-month period from January 1960 to June 1962. This includes employees in both Washington and the National Aviation Facilities Experimental Center. The Civil Service Commission advised us on a recent inspection at the National Aviation Facilities Experimental Center that its turnover rate compared favorably with the average found at other field installations.

Question. What people were involved in the turnover?

Answer. Twenty-five percent of the turnover involved professional employees, and 75 percent involved nonprofessional employees.

Question. The Agency previously had plans to place additional rental computers into operation, and the Congress had appropriated funds for this purpose. Were they placed into operation? If not, how were the appropriated funds employed; and if employed, under what authority?

Answer. The Congress did not specifically appropriate funds for the rental of additional computers. The 1961 budget estimates for the "Expenses" appropriation of FAA as submitted to the Congress included funds to rent three additional computers for air route traffic control centers. The appropriation as approved by the Congress for the "Expenses" appropriation was approximately $10 million less than the amount requested by the President. The decision to defer installation of the computers at Atlanta, Jacksonville, and Oakland for which funds had been requested from the Congress was made shortly after the funds for the 1961 fiscal year were appropriated. The funds requested for computers were applied to this $10 million reduction. Therefore, they were not used to finance other FAA programs, but rather were dropped from the 1961 program as a part of the reduction resulting from the congressional action on our estimates.

DETAILED ANALYSIS OF FAA'S 78-PAGE REPORT ON RESEARCH AND DEVELOPMENT

PART I. AUGUST 1957–MARCH 3, 1961

Question 1. Air defense air traffic control integration, page 8: Subitem 4 indicates that $3,742,100 was spent on a contract with Mitre Corp. to determine the possible integration of air traffic control for defense needs. Doesn't this program in certain respects duplicate other FAA and Air Force work? Do you not believe that the operation of this work could just as well have been done through analysis rather than by heavy expenditure of funds for evaluation and experimentation? Were the funds expended for this purpose shared jointly by FAA and DOD?

Answer. The contract with the Mitre Corp. resulted directly from a Department of Defense/Department of Commerce agreement dated January 9, 1958. It called for a determination of the extent and nature of integration of air defense and air traffic control facilities and functions that would minimize duplication of resources. In no way did this program duplicate other FAA or Air Force programs. On the contrary, its purpose and effect was exactly the opposite. As a direct result of this program, the FAA now has detailed technical knowledge of the techniques and facilities employed in the air defense system as well as their applicability to air traffic control. This knowledge enabled the FAA to plan intelligently the use of certain of these facilities and techniques. This knowledge could not have been gained by analysis alone, since many of the interface and joint use problems required development effort as well as experimental data. The Mitre contract was funded 60 percent by FAA and 40 percent by USAF. In addition, the USAF provided the use of the Evaluation SAFE Sector on a no-cost-to-FAA basis. The $3,742,100 represented FAA's share of the contract cost.

Question 2. Procure FLIDEN (flight data entry equipment), drum recorder and spares, page 10, subitem 6: Do you feel that the expenditure involved in the FLIDEN program was justified? Please explain.

Answer. The economic utilization of any real time automatic data processing system is dependent to a very large degree on the ancillary input/output devices with which it is associated. The FLIDEN was one such device. In its functional role of providing error-free formatting, visual and electronic error checking, and correction of computer input messages, it offered one of the more promising developments for this requirement.

The FLIDEN was envisioned for application in the more complex situations, where the volume of data-entry activity would be conducive to a reduction in manpower with the application of the more sophisticated and expeditious machine.

In view of the system design requirements and the expected payoff, seeking a solution to these problems through the development and evaluation of FLIDEN is considered essential and justified as an integral part of the overall air traffic control subsystem development program.

Question 3. Air height surveillance radar, page 18, subitem I: Do you feel that the expenditure involved in this project was justified in terms of results?

Answer. Definitely yes. This program demonstrated the technical feasibility of obtaining vertical separation information on aircraft in the terminal area to the fineness required by the airspace configuration, without requiring the addition of equipment in the aircraft. Prior to this effort, such a capability did not exist and the technical feasibility was doubtful. Further, as a result of this

development we can ascertain, with a good degree of certainty, the costs of implementing equipment based on the principles involved. In view of these costs, prudence dictates that we examine other approaches less costly to the Government, such as the air traffic control radar beacon system. Once the several approaches are demonstrated feasible and the capabilities and limitations are established, they can then be balanced against costs to arrive at the practical solution for implementation to provide height information to the air traffic controller. The costs of development, whether the results are positive or negative, are but a small portion of the costs of implementation in a nationwide system.

Question 4. Development of 5,000-hour K-band transmitting tube, 107–1—page 19, subitem 5: It is my understanding that industry has broad experience in achieving higher reliability electron tubes by direct work with the suppliers. I wonder if this isn't an instance where Government in-house development was inappropriate?

Answer. We agree that industry is in the best position to perform this development work and, in fact, industry is doing just that in this program. We also felt that specialists in the electron tube field were necessary to manage and monitor such an industry-development program. Rather than add electron tube specialists to our staff, we contracted with the U.S. Army Signal Research and Development Laboratory (USASRDL) at Fort Monmouth, N.J. Their electron tube specialists are managing the actual development work being conducted by industrial suppliers, in this case Microwave Associates and S.F.D. Corp. No in-house development is being conducted in this program.

Question 5. Evaluation of loran C—page 27, subitem 3: Was this evaluation needed from a technical standpoint?

Answer. Loran C is under evaluation as a potential long-distance navigational aid for civil aviation. This evaluation was suggested by DOD, since the system was being installed for military use.

There are some technical factors which required determination, such as range capability and susceptibility to atmospheric noise. However, the accuracy of the system was accepted, and the greatest part of the evaluation is concerned with the operational suitability of loran C for use by civil air carriers. The evaluation is required for the determination of both technical and operational unknowns.

Question 6. Evaluation of VORTAC for oceanic flights—page 27, subitem 5: It is my understanding that ocean station vessels are not considered required navigation aids by the airlines. If this is true, of what value was this project?

Answer. The purpose of this program was to determine the possibility of providing transoceanic navigation service through the use of shipboard mounted VORTAC facilities. If it were technically, economically, and operationally feasible to install VORTACS on ocean station vessels, we could increase the utility of these vessels. This project proved the technical operational feasibility of the plan; however, the question of economics has not yet been answered.

Question 7. Development flight control equipment for landing—page 33, subitem 8: Specifically, what segment of the aviation community benefited from this development, was it needed for general aviation aircraft, for commercial airlines, for whom?

Answer. The primary purpose of this program is to increase the performance and reliability of autopilots, which will be necessary to operate in future all-weather systems. Since we anticipate that commercial airlines will first employ the all-weather landing system, the benefits of this program will accrue primarily to that segment of the aviation industry. Some byproducts of the program, such as studies on autopilot reliability, will, however, benefit all users.

Question 8. Test and evaluate BLEU landing system—page 34, subitem 9: Was there any need to test this system from a technical standpoint? (Note: Here again, apparently, the move was for international political purposes.)

Answer. The United Kingdom has completed in excess of 8,000 successful landings, utilizing the BLEU landing system. We here in the United States are now demonstrating this same reliability in our tests. However, we believe we have sound reasons for continuing this test program. First, the consensus of FAA, and many airline engineers, is that the BLEU system requires modification. Azimuth guidance is initially provided by the conventional localizer. At a later time in the landing cycle, when the aircraft is very low, guidance is transferred to a system established by two electrical cables laid parallel to the runway. We are currently testing an improved waveguide localizer which will provide azimuth control without transfer from one system to another.

Thus, our tests on the BLEU will be performed on a composite system which we believe to be superior. In addition, our studies have shown that the cable technique employed by BLEU would be uneconomical to install in many U.S. airports, especially where approaches lie over salt water.

Question 9. Development of the automatic meteorological observing station (AMOS IV), page 36, subitem 3: Do you not believe that this project should have been halted at an earlier date than it was? Is it not true that it soon became obvious that AMOS IV would prove too costly? I understand that AMOS V may develop from this effort. Do you believe that it will prove to be a satisfactory device at reasonable cost?

Answer. The AMOS program is designed with the objective in mind of producing a relatively inexpensive and operationally suitable automatic weather observing station for national implementation. The AMOS IV project is evaluating the operational feasibility of incorporating automatic sensors in the aviation weather subsystem. Further development programs will be geared into reducing equipment cost.

Question 10. Structural problems and strength of materials, subitem 1, parameters affecting airworthiness of turbine-powered aircraft, page 40: Do you feel that this matter is more appropriately one for the manufacturers and airlines to work on and that Government participation was unnecessary? Certain people with whom I have talked feel that this contract was a waste of time and effort.

Answer. The establishment of airworthiness standards is the responsibility of the FAA. Approved maintenance and overhaul procedures generate a variety of views between aircraft manufacturers, the airlines, and the FAA; and there is a need for a more objective and factual approach to the regulation of maintenance. The development of such an approach becomes an FAA responsibility.

Successful maintenance airworthiness recorders could make a significant reduction in the cost of commercial air transportation and increase safety by programing maintenance and overhaul of systems and components on the basis of need, rather than time, and by predicting system failures.

The initial feasibility study indicated that there was little hope of achieving this goal except in the propulsion systems. We are presently considering a reorientation of the program in this direction.

Some foreign governments are sponsoring similar programs through their flag carriers. The military has made intermittent efforts in this field.

Question 11. Aircraft collision prevention, analysis and comparison of visual pilot warning systems, page 40, subitem 5: Do you feel that the potential benefits to be realized from this project justify the expenditures?

Answer. We fully expect the benefits to be realized from visual collision warning aids for pilots to justify the research expenditures for such work. For at least the next 15 years pilot vigilance will be required to "see and avoid" other aircraft in uncontrolled airspace, as well as in much of our controlled airspace. Today the large majority of midair collisions and near misses occur under conditions of good visibility, and therefore improved visual warning is essential.

Question 12. Runway deceleration aids, page 48: If such a system is developed, what is your estimate as to the total expenditure which would be involved in installing such an aid throughout the United States? Is this not perhaps an area where the cost involved might far outweigh the benefits to be realized? I take no position on the matter, but I would like your views.

Answer. We are as concerned as you must be with the overall cost of implementing such a program.

At the present time we do not have an overall estimate of the total cost for installation of deceleration aids throughout the United States. As a first step we have been concerned with demonstrating the feasibility of such an aid for stopping the large commercial jet aircraft in emergency situations, such as an overshoot on landing or from an aborted takeoff.

If we are successful in demonstrating technical feasibility, then we will be in a better position to determine the financial impact of establishing deceleration devices and determine funding and operational responsibility.

A successful arresting gear will probably save many lives and many millions of dollars of aircraft. The potential also exists that the amount of runway construction required may be reduced at airports equipped with the gear and thereby offset a great deal, or possibly all, of the installation costs.

Part II. March 4, 1961–March 23, 1962

Question 1. Test and evaluation of DPC, (a) precision approach radar bright display, page 5, subitem 3: Is there a real need for continued work on precision approach radar (PAR equipment)? Do you believe that additional PAR's above those installed some years ago should be made a part of the common system for airline needs?

Answer. Weather minima restrictions on the operation of turbojets are currently creating serious financial loss to the airlines, and therefore there is a need to permit operations to lower ceiling and visibility conditions than exist at present. Present turbojet minima of 200 feet and one-half mile are predicated on a requirement for PAR. The use of the PAR as a monitor of the ILS is required for the conduct of such operations with the highest degree of safety. This will require the installation of some additional PAR's at selected airports. However, the equipment as it now exists is not suitable for low altitude monitoring with aircraft having high vertical stabilizers, such as the Boeing 707. Therefore, further development and refinement is necessary to achieve the required vertical resolution.

Question 2. Data handling equipment for video data recorder, page 6, subitem 3: Do you believe that work on this project should have been canceled? Do you not believe that video data from FAA radars should be recorded since it might prove of great value in connection with accident investigation? Do you feel that it might have been of value in connection with the tragic TWA-United crash on Staten Island, December 16, 1960?

Answer. Work on this project has not been canceled. The statement indicating project cancellation is in error and should have indicated cancellation of a planned procurement of commercial video recorder equipment used by the television industry, but adjudged to be too costly for nationwide implementation.

A current research and development project is aimed at providing the operating services of FAA with an economically feasible radar data recorder for investigation of traffic incidents, personnel training, and analysis of system operational problem areas. The project is planned to take advantage of the rapid advances being made in the state of the video recording art.

A recording of radar video data would certainly have provided additional information, and it might have been of value in the December 19, 1960, accident investigation.

Question 3. Development of an international language for aviation lexicon, page 9, subitem 2: If this program was really necessary, don't you think it could have been accomplished just as well in-house? I have heard some expressions that this is a wasteful contract.

Answer. Even though English is the accepted international language for aviation, American pilots have difficulty understanding foreign air traffic controllers and our controllers have difficulty understanding foreign pilots. A lexicon containing the major ATC communication phrases as they are enunciated in the foreign accents of the major aviation countries will materially assist pilots and controllers to reduce communication delay and misunderstanding and attendant ATC hazard, as well as contribute to the fulfillment of our commitments to ICAO in this area. The specialized trained personnel and facilities required for this task were not available in-house at the time the requirement for this program was imposed.

Question 4. Evaluation of VORTAC for oceanic flights, page 12, subitem 1: Going back to an earlier question, since ocean station vessels are not considered required navigation aids by the airlines, of what value is this project?

Answer. See answer to part I, question 6.

Question 5. Develop flight control equipment for landing, page 15, subitem 1: Do you feel that it might have been better to limit this item to an evaluation of flight control equipment for landing rather than development of such equipment?

Answer. This project is associated with efforts to attain an all-weather landing capability for both civil and military aircraft. The aircraft flight control system is an intimate part of such a capability. There was no attempt to develop complete autopilot systems, but rather to modify existing systems to make them suitable for control of the aircraft to touchdown. As an example, this requires the incorporation of throttle control, split-axis operation, and automatic decrab and flare-out to existing autopilot systems.

Although the first use of all-weather landing systems will be in military aircraft and large civil carriers, the capability will gradually become applicable to general aviation, and therefore, all users benefit from this area of activity.

It was not possible to limit this project to evaluation, since equipment modification was necessary to accomplish our objectives.

Question 6. Test and evaluate BLEU landing system, page 15, subitem 2: Why was this necessary from a technical standpoint?

Answer. See answer to part I, question 8.

Question 7. Common aviation weather system development program, page 17, subitem 2: It is my understanding that the Weather Bureau, as well as the commercial airlines, have considerable doubts as to the wisdom of this program.

Answer. The Agency has not received any negative indications from either the Weather Bureau or the commercial airlines as to the wisdom of the common aviation weather system program. In fact, the Agency received correspondence on April 25, 1962, from the Chief, U.S. Weather Bureau, indicating that the CAWS design developed by the Agency is basically along the lines he visualized as necessary to meet the needs of aviation. In addition, the President's Science Advisory Committee's Panel on Atmospheric Sciences has reviewed the CAWS program. They have not formally reported as yet; however, there has been no adverse comment to date.

At present, the Department of Commerce, the Department of Defense, and the Federal Aviation Agency, are using the CAWS design as a basis for joint weather system planning.

Question 8. Pilot-to-forecaster service test, page 18, subitem 1: Do you believe that a more economical method might be adopted? For example: Could a phone patch for forecaster use be employed during those times when the flight service station cannot provide appropriate forecasting information?

Answer. Yes. In our pilot-to-forecaster test and evaluation program we are attempting to determine the most economical and efficient method of providing this service. In the Los Angeles area, we will test the use of a phone-patch as a supplemental service.

Question 9. Weather data processing, page 18: I understand that some meteorological experts are not impressed with the use of statistical techniques for forecasting. Do you have any comments?

Answer. It is true that some people in the meteoroligcal descipline are not impressed with the use of statistical techniques for forecasting. However, a significant segment of the research scientists in the discipline are of the opinion that statistical techniques offer much promise, particularly for use in shorter period forecasting for aviation, where other techniques are not useful today. Our development work is intended to resolve this question. Significant developments and operational techniques for the use of the multiple descriminant analysis statistical methods for aviation terminal forecasting were reported to and discussed with the President's Science Advisory Committee Panel on Atmospheric Sciences at their Woods Hole meeting on June 30, 1962.

Question 10. Structural problems and strength of materials (aircraft safety), item 1. Laminar flow control, page 20: Isn't this primarily a military matter? Is there any value insofar as civil aircraft is concerned?

Answer. The program was conceived by and is being supported primarily by Air Force funds. If successful this program will have direct benefits to civil aviation. FAA's participation, demonstrates civil support of the program.

If the program proves the operational feasibility of laminar flow control theoretical performance gains, civil aviation will gain substantial benefits from reduced drag and increased range, efficiency, and economy. The practical application of laminar flow control could prove to be one of the great advances in modern aeronautical development.

Question 11. Effect on takeoff performance of runway slush and standing water (aircraft safety), page 22, subitem 4: These studies apparently provided a full-scale measurement which you did not have before. However, didn't they simply prove that the aircraft manufacturers were right all the time? What specific tangible benefits accrued from this program?

Answer. Prior to the test program, there was no valid data on slush drag of aircraft equipped with 4-wheel truck-type landing gears. Theoretical approaches to predicting slush drag used in the United States and Europe were based on NASA 2-wheel data and were in error by approximately 100 percent because two basic assumptions were in error: that rear wheel drag and impingement drag were zero. In reality, they were very significant factors.

One takeoff test conducted by Boeing with a KC–135 at Seattle provided some data prior to the FAA tests but the conditions were not established to the accuracy required.

The FAA program was established to determine the maximum depth of slush consistent with safe operations. Had the existing ½-inch limitation been increased without the tests it may have resulted in serious aborted takeoff accidents.

Question 12. Airport deceleration aids development, page 25: This is a matter which was discussed previously. (Note: See pt. 1, question 12.)

Answer. See answer, part I, question 12.

Question 13. Test feasibility of techniques for dissipation of fog and low clouds, page 26, subitem 1: I understand that techniques in this area were tested in Los Angeles some time ago. Do you not think that it might perhaps be futile to engage in further testing in this area?

Answer. The techniques tested by the Agency at the National Aviation Facilities Experimental Center were not the techniques tested in Los Angeles some time ago. We agree that there is very little promise in this area at the present time and we have no active program underway. However, due to the importance of this problem, the Agency must be alert to any suggestions that seem to have a good chance of success.

COMMITTEE RECESS

Senator MAGNUSON. No, they do not require too much. On several of them you can say either the program looks good or bad. You can just say bad.

Mr. BLATT. One word?

Senator MAGNUSON. Yes. Or good.

Mr. HALABY. Just use three-letter words.

Senator MAGNUSON. We will recess until 2:30.

(Whereupon, at 12:25 p.m., the subcommittee recessed until 2:30 p.m. of the same day.)

(AFTERNOON SESSION—3:00 P.M., WEDNESDAY, AUGUST 8, 1962)

RESEARCH AND DEVELOPMENT

Senator ELLENDER. The committee will come to order, please.

I think the last item that we considered was research and development. Are there any further questions as to that part of the appropriation?

OPERATION AND MAINTENANCE, NATIONAL AIRPORT

If not, we come to the operation and maintenance of the National Airport.

Mr. HALABY. I notice the House struck from the budget estimate $500,000. Are you stating your requirement for that amount?

Mr. HALABY. Yes, sir.

Senator ELLENDER. Will you proceed to tell us why?

EFFECT OF HOUSE ACTION

Mr. HALABY. The House report, as you know, cuts $500,000 out of the request, from $3,725,000 to $3,225,000, for fiscal 1963. The amount authorized by the House will not enable us to continue the level of staffing authorized for June 30, 1962. In addition, it would deny the procurement of critically needed snow removal and runway cleaning equipment. There is a direct relationship between the ability of an airport to keep its runways clear of debris and snow, and airport safety. Without the additional equipment, in the face of the increased need of runway, taxiway, cleaning activity, such cleaning operation would be accomplished at best in a marginal manner.

In view of the age of the airport, there is annually increasing need for substantial maintenance projects. Within the House allowance we are unable to revitalize the deteriorating roofs of the newer hangars, or renovate the roof at the International Terminal Building, which has not received major attention since construction 15 to 18 years ago.

We would not be able to repair deteriorating facing on the main terminal building or weatherproof passageways to prevent further damage.

PERSONNEL INCREASE FOR 1963

Senator ELLENDER. To what extent have you increased the number of personnel, or will you increase, 1963 over 1962?

Mr. HALABY. The number of additional personnel from 1963 was 385. We would increase to 417.

Senator ELLENDER. Is that due to more traffic, and other conditions that you just mentioned?

Mr. HALABY. Mr. Hobbs, who is in charge of the airport, if you will, will answer that question.

Mr. HOBBS. Senator Ellender, the 32 people requested include 9 for Bureau Headquarters, and 23 for the Washington National Airport in the maintenance area—electricians, carpenters, general cleaning.

PERSONNEL FOR MAINTENANCE

We have at Washington National Airport, sir, a 21-year-old airport, which, like me and everybody else, is getting older, and it has to be maintained and kept up, particularly after a volume of 4 million people passing through it annually.

INCREASE IN AIRLINE LEASES

It may be of great interest to the committee at this time to know that since our last meeting, we have been fortunate enough to increase our airline leases by nearly 100 percent; where they formerly paid 7 cents a thousand pounds, they now pay 13; where they formerly paid $1.20 to $3 a square foot, they are now paying $2.50 to $6.50 a square foot.

Senator ELLENDER. What are the receipts per year at the airport?

RECEIPTS PER YEAR AT AIRPORT

Mr. HOBBS. Well, sir; the tentative figures we have for the close of 1962, indicate we grossed $4,522,000 for return to the Treasury—representing an estimated $700,000 excess of revenues over expenses.

Senator ELLENDER. That was over and above the operating expenses?

Mr. HOBBS. Yes, sir.

Senator ELLENDER. Which included maintenance and everything else?

Mr. HOBBS. Yes, sir; that was deposited into the Treasury.

Now, we have got to maintain our program of keeping this airport and facility up to date. If we lose this money, sir, we have got to give up in such areas as repaving the parking lot.

You are quite aware of the problem of parking when you come to the airport. We are now removing the buildings of the old WAC headquarters out there, and making more parking areas.

PARKING LOT FEES

It may be interesting to the committee to know that we receive an average of $300,000 a year in our parking lot—fees to Uncle Sam.

Senator ELLENDER. Now, I notice you are asking——

BEST YEAR FOR REVENUE

Mr. HALABY. This is our best year in revenues, and one of our best years in net revenues.

Senator ELLENDER. Well, as I understood, there were a few years you did not collect enough to pay all expenses. In that correct?

Mr. HALABY. That is correct.

Mr. HOBBS. That is right, sir.

Mr. HALABY. And of course we need this revenue, because the new airport will operate at a deficit for some time before it is in the black.

CONSTRUCTION

Senator ELLENDER. Well, I notice a request here for construction of $2.5 million, budget estimate, and the House allowed $2 million. What is that for?

Mr. HOBBS. That, sir, is new construction.

I do not know whether you are aware of our airport.

In the area of the North Terminal we have a small cargo building. The parking in that area is extremely restricted for general aviation aircraft and cargo parking. We are cleaning it out and putting a new cargo building at the south end of the field.

We want to increase the general aviation parking area, and strengthen and resurface existing aircraft ramps.

That is what these expenses are for, sir.

DULLES INTERNATIONAL AIRPORT

Senator ELLENDER. There is an item also of construction and development, Washington Airport—I notice that the budget estimate is $3.4 million, and the House allowed you $3 million.

Mr. HOBBS. That is the construction at our new Dulles International Airport, sir, in which we asked for these funds to construct the hangar.

Senator ELLENDER. That is for the Dulles Airport?

RESTORATION REQUESTED

Mr. HOBBS. Yes, sir. And we specifically requested they be restored. If you take that much money away from me, and give me just the $3 million, it is like you buying a house without adequate sanitary facilities.

Senator ELLENDER. Well, I notice here the operation and maintenance of the Dulles Airport.

Mr. HOBBS. Yes, sir.

Senator ELLENDER. The House allowed you $3 million.

Mr. HOBBS. Yes, sir.

Senator ELLENDER. And below that you have another item of $3 million for construction and development.

Mr. HOBBS. Yes, sir.

COST OF AIRPORT TO DATE

Senator ELLENDER. Will you tell us how much that Dulles Airport is costing us up to now?

Mr. HOBBS. Yes, sir; $105 million, sir.

Senator ELLENDER. What was the original estimate?

Mr. HOBBS. The original estimate on Dulles was $60 million.

Senator ELLENDER. Why the difference in cost?

Mr. HOBBS. Well, sir——

Senator ELLENDER. If you do not have it there, give it to us for the record, will you?

Mr. HOBBS. Yes, sir; I certainly will submit it for the record.

Senator ELLENDER. Unless the Senators desire to hear it now.

REASON FOR RISE IN COST

Senator PASTORE. You asked a very pertinent question. I think you ought to allow him to pursue it. What accounts for this—just a thumbnail explanation.

Mr. HOBBS. The $66 million first estimate, sir, of the 1958 and 1959 period, did not provide an access road, nor did it provide a sewage system, nor at that time was the direction given as to how we would proceed in this installation—was it to be a finger airport, separate satellite airport, or a mobile-lounge concept.

As the years progressed, and the investigation went into it, it was found more feasible to go to this mobile-lounge concept.

Therefore, the progressive cost.

But I would like to point out at this time, Senator, if I may—we are at $105 million right now for this airport—starting from scratch, the condemnation of property, building and creating the world's greatest airport, at this figure. It might be interesting to know that Chicago did have a fundamental airport, and they have just spent $155 million on terminal facilities.

So someone in this Government, before my time, did a very good planning job.

Senator ELLENDER. Well, I am sorry they got so far off of the estimates.

ROAD TO AIRPORT

Senator MONRONEY. You said the "access road." You did not mean the main transit road from downtown to Dulles, did you?

Mr. HOBBS. Yes, sir——

Senator MONRONEY. The parkways.

Mr. HOBBS. Yes, sir. The first estimate, Senator, of the $66 million, there was no provision for the access airport highway.

COST OF ROAD

Senator ELLENDER. What did that cost, now? Let's get down to figures.

Mr. HOBBS. $17 million.

Senator ELLENDER. For the access road?

Mr. HOBBS. Yes, sir.

Senator MONRONEY. It is four double lanes, with an outside right-of-way, and inside right-of-way?

Mr. HOBBS. Exactly. Enough right-of-way for eight lanes.

QUESTION OF TOLL ROAD

Senator MONRONEY. What have you done about putting a toll on that? I have urged this for several years as the only way you are going to make this road fast enough to bring this airport within reasonable reach of Washington. If you are going to make it a suburban road, all of the resolutions you have now are going to be invalidated once this is opened as a free road, because you are going to have to have access to the newly built cities of the size of Alexandria or Arlington which the subdividers say they are going to build there.

Now, if you can put a toll road on this, you can liquidate the cost in 20 years, and it won't be charged to the airport.

Mr. HOBBS. Senator, we have completed a study on the feasibility of making this a toll road, and it can be done, sir. We figure the 25 cents can return our investment in about 25 years.

Senator MONRONEY. What is being done on it? You have had a study. Now, how do we get it into gear?

You are going to have, as I understand it, the availability of rights-of-way on the two outer double lanes that you can give—I think you plan—to the State of Virginia. They can surface it and have all the access they want. But the center lanes would be an express highway to and from the airport.

BILL PERMITTING TOLL ROAD

Now, is the corporation bill that is now pending in the House—does that settle this, or is it still left open?

Mr. HALABY. There is a bill before the House—I believe it is nearing completion in the Commerce Committee—authorizing a National Capital Airport Corporation, which would be like several other Government corporations—the owner and operator and manager of all of the airports in the Washington area; namely, Washington National, the International Airport, and if there are any heliports in the future, heliports.

The bill permits making a toll road.

Now, our problem, in converting this into a toll road, is as follows: We have the authority; you have granted us the appropriations needed for the road. We are not road operators or road managers. We had planned to turn this right over to the National Park Service and have them operate it, because they are operating the George Washington National Parkway and other park roads now. They have told us recently two things. One, they could not take this roadway off our shoulders and put it on the National Park Service and still guarantee the availability to the State of Virginia of the outer lanes for commuter roadway.

Second, I believe it is against their policy to set up as a toll road one of their Park Service roads.

Now, if you direct us, or if you—if the Congress feels we should, we can convert it into a toll road. But we have so many activities that are in addition to our main center of activity, that I am not anxious to get into the business of running a toll highway.

QUESTION OF OVERBUILDING ROAD

Senator ELLENDER. Mr. Halaby, was that road overbuilt—that is, insofar as the airport is concerned?

Mr. HALABY. It was designed for a period well ahead. In other words, for the first year I would guess that the road would be lightly traveled. There would probably be some peak hours when all of the schedules in the airlines put in there, where it will be quite crowded. But there will be other hours—midmorning, midafternoon, late night, where it will be very lightly traveled, and the problem that creates for the neighbors is they want to get on it and commute on it. And I think Senator Monroney's point is if you make it a toll road, it will enable you to keep its single high-speed purpose so that you and the other air travelers will be able to get out to the airport and back in less than an hour.

Senator ELLENDER. How many miles of this road are constructed?

Mr. HOBBS. 14.8, sir.

TEN-YEAR PERIOD OF NO RECOVERY OF INVESTMENT

Senator ELLENDER. Of course, you have not had any opportunity to gage your intake as contrasted with the cost to operate as yet, have you?

Mr. HOBBS. At Dulles, sir?

Senator ELLENDER. Dulles.

Mr. HOBBS. We expect to receive our out-of-pocket expenses and part of the interest expense only for the first 10 years.

Mr. HALABY. That means no recovery on the investment.

WASHINGTON AIRPORT SHOWING RETURNS

Senator ELLENDER. Well, that is the same thing as out at the Washington Airport.

Mr. HALABY. No. We are recovering our investment there and having a net revenue.

Senator ELLENDER. You do not put interest in, do you?

Mr. HOBBS. Yes, sir, interest and depreciation.

Mr. HALABY. We are running it like a business.

Senator MONRONEY. $500,000 is plus, after all that.

Mr. HARPER. Amortization, interest, expenses—and over $500,000 profit at Washington.

REASON FOR ADDITIONAL CONSTRUCTION FUNDS

Senator ELLENDER. Since this is a new airport, why is it that you are putting in more money for construction?

Mr. HOBBS. We have, Senator Ellender—we will have the most modern, the most beautiful, the most complete jet airport in the country. We have not provided a hangar, based on the past administration philosophy, that the airlines would build their own hangars. This has not come to pass. They have shown an indication of interest in exploring what we would charge for ground rent. Mr. Halaby and I believe that it is to our best benefit to have a hangar as soon as possible that we can lease to take care of winter operations, taking

the snow and sleet off of airplanes, and doing turnaround maintenance—until the airlines decide to build their own hangars.

We at that time can rent it to a second fixed base operator and still get our money back. It would not be a lost investment.

Mr. HALABY. A substantial amount of that revenue at Washington National is on hangar rental.

This committee, last year had before it a request for a four-bay hangar, I believe, at $6 million. The House approved that hangar, and this committee knocked it out and admonished me to press the airlines to build their own hangars. We have done that.

They, because of their financial condition, because of a variety of problems facing them, have not come forward with private capital to build it.

So we have this project—it would be the only hangar on the airport.

Mr. Hobbs was talking about an "uncanny" house. This is going to be a hangarless airport, until somebody steps up and builds a hangar.

We feel that we can make money off this $3 million if——

Senator ELLENDER. You mean get your money back. Let's not say make money.

Mr. HALABY. Yes, you are right.

HOUSE CUT IN TREATMENT FACILITY

Senator ELLENDER. Now, I notice the House lopped off $400,000 from the budget estimate. Are you putting in a requirement for this?

Mr. HOBBS. That $400,000 of the construction estimate, sir, is mainly for the waste treatment facility of the hangar. It is part of the hangar.

You see, the kind of sewage around a hangar, oil rags, waste oil, must be run through this treatment before it enters into a regular sewer. That is why I spoke that if that $400,000 is left out, I am building a hangar "uncanny" as the Administrator spoke of it. We need that facility. It goes with the hangar like running water would go with it.

SEWER SYSTEM COST

Senator ELLENDER. Now, I meant to ask you this question a while ago in connection with the road.

You say in addition to the road you constructed a sewer system out there. What did that cost?

Mr. HALABY. I think you may be referring to the sewer interceptor that was $25 million.

Senator ELLENDER. He said a while ago in his testimony that the reason for the cost going up to $105 million was road construction and the sewer.

Mr. HOBBS. Oh, no, sir, I correct that, sir. I do not mean to associate the sewer being installed by the District of Columbia Government with the $105 million.

Senator ELLENDER. So that actually, then, the airport construction cost was $22 million over and above the estimate.

Mr. HOBBS. The original estimate, yes, sir.
Senator ELLENDER. Any further questions?
Senator PASTORE. May I ask one question?

POSSIBILITY OF HANGAR TENANT INSTALLING FACILITIES

Would you say that you need this sewage disposal or treatment for this hangar? What if you don't get that money? You don't build a hangar?
Mr. HOBBS. You mean if we just got the $3 million, sir?
Senator PASTORE. Yes.
Mr. HOBBS. We would go ahead with the hangar and see if the tenant would not put in his own. It is just like as if I sold you a home, sir, without adequate facilities in it. I would rent the hangar, or endeavor to rent the hangar and have them put in the treatment facility.
Senator PASTORE. And what if they do not put in the facility and you cannot rent it?
Mr. HOBBS. I do not have any fear I won't be able to rent it, Senator.
Mr. PASTORE. Even without the treatment facility?
Mr. HOBBS. Yes, sir.
Senator PASTORE. He says it is absolutely essential to have this treatment apparatus. The question is if he doesn't get it, does he build a hangar there anyway.
Mr. HOBBS. I would say yes, because I am optimistic enough to think I can rent it. What it is is just like you give somebody a house without the main facility in it. You are asking him to do something that you should do, as part of the hangar.

DETAIL OF HOUSE CUTS

Mr. HALABY. I think, Senator Pastore, Mr. Hobbs is attempting to bring out that our estimate was $3.4 million. We estimated the cost of the hangar at $2,246,000. It is a slice of $100,000 off it. We estimated the aircraft parking would cost $411,000. The cut would slice $100,000 off our estimate.
We estimated that waste treatment, utility services, would cost $718,000. They sliced $200,000 off. There is an arbitrary slice of $400,000 off an estimate of $3.4 million.
Senator PASTORE. But the House did not deliberately eliminate the treatment plant.
Mr. HOBBS. No, sir.
Senator PASTORE. I do not blame you for dramatizing your case, but that is what I am trying to establish.
Senator ALLOTT. Mr. Chairman, we now have the report by the Office of the Comptroller General from last year, which was made to this committee as a result of a request. I want to get these figures straightened out.

SUMMARY OF COSTS AND EXPENDITURES

We now have $105,070,000 as the cost of the airport. Does that include the road or not?
Mr. HALABY. It does.

Senator ALLOTT. Now, this is an increase of $39,070,000 over the 1959 estimate.

Now, the figure they came up with for us, for the cost of the access highway, was $13,058,000. You have given us $17 million. Which is correct?

Mr. HALABY. We have spent $17.1 million?

Mr. HOBBS. Your figure is construction costs, and our figure is entire construction, land acquisition, landscaping, et cetera, Senator Allott.

Senator ALLOTT. All right. Now, they have got additional costs of $26 million. I presume that is on the airport itself. Is that correct?

Mr. HALABY. The additional cost.

Senator ALLOTT. Over the original.

Mr. HALABY. $26 million is for the airport itself.

Mr. HOBBS. Yes.

Senator ALLOTT. And then $2,530,000 increase in costs for other than terminal facilities. What were those?

Mr. HALABY. Do you recognize that figure of $2.5 million?

Mr. HOBBS. Let me supply that, Senator, if you please, sir. I do not have that available.

Mr. HALABY. We do not have your breakdown of the $39 million.

Senator ALLOTT. Well, let's go at it the way you have it.

ACTUAL ADDITIONAL COST OF AIRPORT

Senator ELLENDER. I wish to point out the answer to Senator Allott's question, as to the increased cost, is at variance with what I asked a while ago. I suggested the additional cost of $22 million, and now you say it is $26 million. Which is correct?

Mr. HOBBS. The first estimate, Senator Ellender, was $66 million we asked for in 1958 and 1959, sir. We got $62.5 million. In 1959 and 1960 we asked for $27.5 million. That brought it to a total of $90 million.

We got $22.5 million which—which brought it to a total of $85 million. That is 1959 and 1960.

Now, this provided for the road——

Senator ALLOTT. Mr. Hobbs, just a moment. Those figures do not jibe. The first figure you gave us was $62.5 million, which you said Congress appropriated.

Mr. HOBBS. That is right, sir.

Senator ALLOTT. Then you said they appropriated $27.5 million.

Mr. HOBBS. We asked for $27.5 million, Senator, and they gave us $22.5 million.

Senator ALLOTT. All right. You have $22.5 million.

Mr. HOBBS. That makes a total of $85 million, sir.

Senator ALLOTT. Yes.

Mr. HOBBS. That brings us up to 1959–60.

Now, you want a breakdown of what that included that year?

Senator ALLOTT. No. What I am interested in personally is we have $105,070,000. I have the report of the Comptroller in front of me, whose figures apparently are not based upon the same ones as yours.

COMPONENTS OF TOTAL COST FIGURE

Now, what I want to know right now, so I can put it right down here is what does this $105,070,000 consist of—where is it? How much is in the cost of the airport, the construction, the grounds, how much is in the cost of the terminal facilities, how much is in the cost of the access road, and the land? Can't we get it that way?

Mr. HALABY. Yes, Senator. We will accept the GAO figures. They got them from us and we reviewed them. So this table at the bottom of page 14 of the GAO report is as accurate as you may desire to have it. There are about 11 titles there. We will go right down each one of them, if you wish, sir.

Senator ALLOTT. All right.

Mr. HALABY. Land acquisition, $11,157,000.

Engineering and supervision, $10,075,000.

Site preparation, $12,719,000.

Paving and lighting, $20,904,000.

Do you want me to read the rest of it or just put it in the record?

Senator ALLOTT. No, we can put this in the record, I think. I will use this basis, as long as you have it.

(The information referred to follows:)

COST ESTIMATES TABLE FROM PAGE 14 OF THE REPORT TO THE CONGRESS OF THE UNITED STATES

Review of financial and administrative activities relating to the development and construction of the Dulles International Airport, Federal Aviation Agency, September 1961, by the Comptroller General of the United States, March 1962

COST ESTIMATES

The cost estimates supporting FAA's 1959, 1960, and 1962 appropriation requests and the cost estimates as revised to give effect to the reprograming, based on the available appropriations, are shown in the following tabulation by major project categories and in appendix II by major project and subproject categories.

[In thousands]

Projects	Cost estimates					
	1959		1960		1962	
	Original	As reprogramed	Original	As reprogramed	Original	As reprogramed [1]
Land acquisition	$8,282	$8,282	$9,132	$9,676	$10,515	[2] $11,157
Engineering and supervision	7,010	7,010	7,648	7,960	8,567	10,075
Site preparation	8,560	8,560	10,337	10,575	11,015	12,791
Paving and lighting	18,838	16,738	17,588	16,773	20,824	20,904
Terminal building and control tower	9,750	9,750	10,687	12,303	14,355	15,533
Service buildings	3,215	3,215	4,170	2,605	4,664	5,239
Mobile lounges			2,600	3,926	6,387	6,387
Access highways			15,429	12,056	12,969	[3] 13,058
Utilities systems	5,216	4,216	7,786	6,385	7,855	8,507
Automobile parking, interior roads, and airport fencing	1,723	1,723	1,280	1,335	1,989	[4] 1,419
Operating equipment	400					
Provision for contingencies	3,006	3,006	3,343	1,376	5,930	
Total	66,000	62,500	90,000	84,970	105,070	105,070

[1] The reprograming included an allocation of the provision for contingencies to the various projects.
[2] Adjusted to include land acquisition costs of $642,000.
[3] Adjusted for items [2] and [4].
[4] Adjusted to exclude access highway costs of $450,000.

AUTHORITY FOR TOLL ROAD

Senator ALLOTT. Now, on this matter of the road I think the question raised by the Senator from Oklahoma has a great deal of merit.

I agree with you that you don't have any business running a toll road out there. You have your hands full.

I do not know why—and I will say this to the Senator from Oklahoma—if the Park Service can charge entrance fees into its parks, many of which consist of long access roads, such as Yellowstone, such as Mesa Verde and so many others, I do not know why this cannot be operated as a toll road.

Now, this documentation of the GAO—does this constitute an accurate reflection of the investment we have in Dulles?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. What are we on? Chantilly?

Senator ALLOTT. We are on Dulles.

While we are on that, I have talked to numerous airline people who have raised the question of the FAA referring to this airport as an international airport, Washington International, and a number of other titles. I noticed one of your witnesses referred to it as Chantilly. Is there going to be an effort or is there an effort to abandon the name of Dulles?

Mr. HOBBS. No, sir.

Mr. HALABY. The Congress may name it as it wishes. It has called it the additional Washington airport at Chantilly, Va. But President Eisenhower named it the John Foster Dulles International Airport a few days after Mr. Dulles died, and also the President issued another proclamation that the name would remain that.

Senator ALLOTT. Well, of course, this would be his privilege—or Congress could do it. But in the interim, wouldn't it avoid a lot of confusion if we use the name Dulles, which apparently is the right name for it now?

Mr. HARPER. Sir, that appropriations item you referred to is placed on it by the Congress. I don't know why.

Senator ALLOTT. I don't know either.

Senator MAGNUSON. We started out that way with it, and it has not been changed since.

REACTION OF AIRLINES TO MOVING

Senator ALLOTT. What has been the reaction—and we ran into this last year—by the airlines to moving in there? I have talked with numerous air people. Many seem to think, and I think you made this statement, that it would be a very expensive operation, that there was a good deal of reluctance to move to Dulles. What is the attitude generally of the airlines now toward moving their operations from Friendship?

Mr. HALABY. The attitude, I think, is positive in that they have given us letters of intent to proceed with their installations based on agreements regarding the landing fees, and the rental rates for space, for ticket counters, and other airport operations.

COST UNDERESTIMATED

As you know, this site was chosen several years ago. The design and cost were estimated several years ago. When I came into this position I got three men who had actually built an airport of this dimension. They came in and gave me an estimate that the airport had been underestimated in cost by roughly $20 million, and the opening date was optimistic by 18 or 20 months. So we projected this opening this fall, and we came to you, and told you we needed an additional $20.1 million, as I recall the figure.

DATE OF OPENING OF AIRPORT

Then we have expedited everywhere we could. If there are no strikes, if there are no labor shortages, if there is no unexpected weather, and if the airlines proceed with the construction of their ticket counters and the like in an expeditious way, we believe we can fly out of there before the snow flies out there. All our contracts are gaged to October. If those deadlines are not met, we are going to apply the penalty provisions which are as high as $5,000 a day—because we have $105 million of the taxpayers' money in there and we want to start earning some return on it as soon as we can.

Now, that airport will not be a complete, smooth, finished article this fall. It will be without any hangars, it will be without a complete restaurant, it will be with a lot of edges that have to be polished off. But we think we can open it and we can start getting some return on this huge amount of money.

ATTITUDE OF AIRLINES

Senator ALLOTT. All right. My question was directed to the present attitude of the airlines toward moving in there. I assume your answer to mean that the reluctance which they displayed at the time this committee was meeting last year has been to a great extent overcome?

Mr. HALABY. I think so, Senator.

We talked about it last year. And I told you it was going to be a hard negotiation.

Mr. Hobbs and his staff have completed this negotiation, I think, in record time, and we have satisfactory results to the Government.

THIRTY-YEAR PERIOD FOR EARNING BACK INVESTMENT

We have met our commitment to you to earn back the investment in a 30-year period, at a loss the first 10 years, at about break even the second 10 years, and in the black for the third 10 years. That is going to be a very difficult job, but we can do it.

Now, some of the airlines are sort of watching the others, because they are always in a highly competitive race. At least two or three of them are ready to go right in there and lead the race, and I think the others will follow.

But a lot will depend upon the state of the economy, how fast you can get access to that airport, how it strikes the public fancy. We are trying to make it a very attractive place.

Senator ALLOTT. All right.

DATE OF AVAILABILITY OF ACCESS ROAD

When will the road facility be opened and completely available? I am talking about the access road.

Mr. HALABY. The access highway, which is 14.8 mile portion of what is roughly a 29-mile trip is almost complete now. The landscaping is not complete. The marking of the road is not complete. But I have driven back and forth on it several times with Mr. Hobbs in the last few weeks. The problem is getting from the end of the George Washington National Highway to the beginning. And there are two ways to do it.

One way is to go through McLean, the new bypass road there is to be completed in the next two months, and the other is to go over to the circumferential highway, that comes across the Cabin John Bridge. That won't be complete until about the first of the year. That will make it even faster. We will go all the way up to that road, turn left about 3 miles, and then go out the highway.

Senator ALLOTT. If it is open this fall, there will still be a gap in the access highway of some 12 miles?

UNCOMPLETED PORTION OF ROAD

Mr. HALABY. No, sir. The access highway is complete right now—except for about 2.5 miles to be built for connection to Interstate Highway 66 when it is constructed in 3 or 4 years.

Senator ALLOTT. Well, what is the difference between the 17 miles of the access highway and the 29 miles of the total trip?

Mr. HALABY. The largest portion of it—let's assume we are leaving from here. The largest portion is some, I would say, 10 miles out to about where CIA is, and then there is a gap in there of a few miles. We will have that new Route 123, the McLean bypass in a few weeks, and a throughway via the circumferential later in the winter.

CHOICE OF DATE FOR OPENING AIRPORT

Senator ALLOTT. Now, have you set a date for the opening?

Mr. HALABY. No, sir. We intend to very shortly. I said in my statement, and very carefully, that we have a choice. We can wait until everything is just right and then dedicate it and open it, because that would probably be next spring. We can get it operational before the snow flies, and we will be ready to set a date very shortly. I think we ought to go ahead and open it—even though everything is not all smooth and perfect, because we will begin to earn some return on our money. I hesitate to ask the President to go out and perhaps President Eisenhower and the Dulles family and others unless it is in good shape. But we are going to try to set a date. We are going to try to make it worthy of America in the 1960's, and try to get some dynamic action by the airlines to use it.

Senator ALLOTT. Thank you.

EFFECT OF DULLES AIRPORT ON WASHINGTON AIRPORT

Senator ELLENDER. There was one question I would like to ask. To what extent will the opening of this new airport affect the receipts at the National Airport?

Mr. HALABY. We have some pretty hard estimates of the receipts there for the next several years and the receipts out of the Dulles Airport for the next several years. I think it is fair to say that it depends on how rapidly the carriers move from Friendship out to Dulles, and which of their flights they move from Washington National to Dulles. That will depend largely on the public demand.

So we are in a——

Senator ELLENDER. You are still hopeful, though, that the Washington Airport will collect enough fees to maintain itself.

Mr. HALABY. That's right.

Mr. Hobbs, do you have an estimated figure for fiscal year 1963?

Mr. HOBBS. We expect Washington Airport, sir, to maintain better than 4 million passengers to 1964, and then in 1964 it could drop about a half million, then build up again.

"BRIEF CASE" TRAFFIC

The airlines are going in for the brief case traffic, and the brief case traffic will never move to DIA. It will be out of Washington National. That is your coach services. Eastern, as you know, is getting heavily into that business. But we are optimistic to believe we will continue to show good results at Washington, Senator.

Senator ELLENDER. I hope you have not overbuilt.

Senator HOLLAND. Your plans for the operation of the two airports here will require the use of its maximum capacity of the National Airport facilities, won't it, because of its closeness and its accessibility?

Mr. HALABY. Yes, sir. I think—this is just a personal speculation—you will find the heavy, longer range flights leaving from and coming to the new airport, and the shorter range flights leaving and coming from the old airport, and a buildup of the general aviation traffic, which is one of the principal reasons we want this additional construction money for Washington Airport, will, in terms of number of aircraft handled, though not in terms of passengers carried, flow into that airport.

So we will have a lot of shuttle flights, a lot of short-range flights, and we will have the long-range jet, turboprop flights, the international flights out of the new airport.

OBJECTIVE OF UTILIZATION OF WASHINGTON AIRPORT

Senator HOLLAND. We were told at the time that we set up the airport now called the Dulles Airport that the primary objective of the FAA, then the CAA and the CAB, was to keep Washington National operating to reasonable maximum capacity at all times because of the nearness to Washington. Is that objective still part of your flight plan?

Mr. HALABY. Yes, sir.

Senator MONRONEY. But the jets cannot land there.

Senator HOLLAND. I understand. The next question was this.

PRINCIPAL DEFLECTION OF FLIGHTS

The principal deflection of present flights will be from Friendship to Dulles, rather than from National to Dulles, would it not?

Mr. HALABY. I think that is a proper estimate; yes, sir, an accurate statement.

Senator HOLLAND. Let me ask you this.

ANACOSTIA AND BOLLING FIELDS' TRAFFIC

How are they moving on your two military fields across the river from National?

Mr. HALABY. Well, Anacostia and Bolling have ceased airplane operations and are now conducting helicopter operations.

Senator HOLLAND. How does this cessation affect the capacity at National to serve a larger number of people who are flying?

Mr. HALABY. You are thinking of the air traffic control, mainly, I expect.

Senator HOLLAND. That is right.

Mr. HALABY. We believe it will not have a major effect. It is a little harder to feed aircraft through Washington approach controls to all three of those fields than it is just to Washington, but Mr. Thomas has worked out patterns which give a very high acceptance rate at Washington National.

Would you comment on that, Dave?

EFFECT OF CESSATION OF MILITARY OPERATIONS ON NATIONAL

Mr. THOMAS. I think it will have some effect. The demand on Washington National was and still is up to its peak capacity. As it was, we divided the traffic by the Potomac, keeping the military traffic to the east and the civilian traffic to the west. The cessation of airplane operations at Anacosta and Bolling has greatly expedited our circling of Washington National, and has made traffic handling easier. But I believe the peak hours are about the same; that is, 80 to 100 under visual flight conditions.

There is so much demand that this change has not created a measurable difference.

Mr. HALABY. The wider area is still very congested due to the very high rate of operations at Andrews Air Force Base to which the Navy and the Air Force moved their aircraft operations.

Senator HOLLAND. At that time we were told that continued operation of Bolling and Anacostia at that time was an impediment to the fullest use of the airspace around National.

Mr. HALABY. Right.

Senator HOLLAND. My question is, To what degree of improvement has that situation been accomplished by the moving from Anacostia, considering the use of the airspace around the airport?

Really, my question is this: Where do you plan to service the private aircraft and other planes of that type?

We know MATS moved out of Andrews but where do you, in this whole contract, plan to take care of now the private planes?

ENLARGING GENERAL AVIATION AREA

Mr. HALABY. The principal reason for this construction is to enlarge the general aviation area of Washington National because, as you pointed out, that is most accessible and convenient to the business and private aircraft.

As we go ahead, over the years, with the Dulles Airport there will be general aviation facilities there for those who want to fly in and catch a jet for long-range operation.

Senator HOLLAND. Well, the real use, to try to promote this money that you are asking for now, is for additional parking space and other facilities at the closest end of the terminal, or the closest end of the field, to take care of more private flying.

Is that right?

Mr. HOBBS. That is exactly right, yes, sir.

SIZE OF ACCESS ROAD RIGHT-OF-WAY

Senator HOLLAND. And a question about your access highway, now: Is your right-of-way wide enough to take care of the parallel public roads which are being discussed so freely around here these days, or will it require widening of your right-of-way?

Mr. HALABY. The answer is that specifically it is wide enough and the question is whether the State of Virginia will step up with a plan and the money to do some fairly complicated excavating and building work as not to interfere with traffic on the red ball express highway there.

Senator HOLLAND. Will it be all on one side or on both sides?

Mr. HALABY. On the outer sides. The two lanes out to Dulles and in from Dulles are in the inner portion and fairly close with an island in between, and the parallel commuter lanes would be on the outer edges of the 400-foot strip.

Senator HOLLAND. Thank you.

Mr. HALABY. And we have had very good discussions with the Virginia highway people.

There is no big argument, but there is a serious question about when they will be able to finance these commuter roads for Herndon and the other cities building up out there.

Now, we have been very tough, and hard nosed, about not converting what you all authorized and funded as a high-speed airport access road even temporarily for commuters.

Not a day passes but we get a request to put a temporary ramp on to the highway so that the commuters in Herndon can use it.

We have to say that the Congress authorized, funded, and directed us to make this airport accessible by having this single-purpose 17-mile span, and we are not going to depart from that.

TIME DIFFERENCE BETWEEN DULLES AND FRIENDSHIP TRIP

Senator HOLLAND. Taking the Capitol as the point of objective, leaving or arriving, which is going to take a longer time? To go to Friendship or go to Dulles?

Mr. HALABY. I think, sir, the answer will depend upon where you leave from.

If it is the Capitol, that is one point. The second thing is what time you leave.

Senator HOLLAND. The Capitol is the point that I asked about.

Mr. HALABY. Leaving from the Capitol at the peak afternoon outgoing traffic, it takes you about an hour and 10 minutes now.

Senator HOLLAND. To get to Dulles?

Mr. HALABY. No, to get to Friendship.

So you may have had the experience of an hour and a half, I think it will take about the same time, peak hour, out to Dulles but I cannot prove it because we only guess what the situation would be and, as you know, the first 5 miles are the slowest, and that will be so in either case.

You have to go through the heavy traffic to get out on to the Baltimore expressway and to Dulles you will have to go through the bridge traffic until you get onto the George Washington Parkway. You are just bumper to bumper in those peak hours.

At the off hours, mid-morning, mid-afternoon, and night, I think it will be a little faster to Dulles, but I cannot prove it.

TIME FROM NATIONAL AIRPORT TO BOTH FIELDS

Senator HOLLAND. How about from National to those two places, considering the construction of the Jones Point Bridge which is going to be the quickest?

Mr. HALABY. From National to Dulles, I would think it would be in the order of 15 minutes faster than from National to Friendship, but that is another guess.

Senator HOLLAND. You mean even considering the construction of the Jones Point Bridge?

Mr. HALABY. Well, a bridge means to me, during traffic hours, a long delay. You do not have to go——

Senator MAGNUSON. We will have to recess for about 5 minutes.

(At this point a short recess was taken.)

Senator MAGNUSON. All right. Any more questions on Dulles Airport?

Senator MONRONEY. I have one.

Senator MAGNUSON. All right, the Senator from Oklahoma.

CONSTRUCTION OF TURBOPROP PLANES

Senator MONRONEY. There are no more commercial transports being built at the present time in the United States that are turboprop, are there?

Mr. HALABY. That are turboprop?

Senator MONRONEY. Yes. In other words, the Electra is no longer being made and there is nothing else in the prop driven line being made by our American manufacturers, such as a transport?

Mr. HALABY. There is a capability for some to be built out at Hagerstown, Fairchilds, for F–27's, but I think your statement is substantially correct.

Senator MONRONEY. The type I am talking about is the modern, heavy, trunkline aircraft, and there is none. While I would be the first to protest against jets coming into Washington National, eventually you must face the fact that you are going to have to either use it or lose it, you might say, to jet aircraft, probably the smaller type, such as the Caravelle?

JETS AT WASHINGTON NATIONAL AIRPORT

Mr. HALABY. It is physically possible to land and take off a Caravelle or Boeing 720 at Washington National Airport. We have done it. I have done it. So it is not a physical problem. It is a question of the neighborhood, the airspace, the traffic density, and the suitability of the airport.

You have already authorized and funded $105 million for the most modern, safest, jet airport in the world, and the neighborhood in and around Washington National Airport is not eager to have jet noise and the associated problems.

We have such a high density of aircraft there now and at Andrews that if we can have the jets at Dulles we would much prefer it. We have a rule that no regular jet operations into Washington National Airport will occur. That rule will be increasingly difficult to hold to, as you suggest, as the fleet goes from DC–6's, DC–7's, Convairs, et cetera, into the pure jet aircraft.

There is nothing inherently dangerous about a jet airplane. In fact, the turbo-powered aircraft accident rate which was fairly high at first, has steadily descended until turbo-powered aircraft and propeller reciprocating aircraft are at a comparable rate of safety. And it is very encouraging.

The engine is not the probable cause of accidents. It is some other part of the system or the manner in which they are maintained or operated, more often than not.

So at some point, and this is true of LaGuardia, for example, as well as Washington National, we will have to face the question probably with the Boeing 727 of whether or not in addition to Dulles they are to be permitted into Washington National.

In my judgment that is several years off.

CONTINUED USE OF PROPELLER-DRIVEN PLANES

Senator MONRONEY. Well, have the airlines given any thought about converting an all-jet-powered operation?

As I understand it today, American Airlines has put on many jet flights between Friendship and Chicago and then found that they could lure business away from the other airlines with Electras from Washington National to O'Hare. It seems to me, with this investment we have in Washington National, that we should have somebody watching that to see how long a reasonable number of propeller-driven aircraft will still be in use, and what we are going to do about it. I would think offhand that you are not going to allow, and the Government is not going to allow, jet planes into Washington National.

Mr. HALABY. It is going to be a balance between Washington National and the Dulles Airport, and the public will decide the balance, because they will exert pressures on the airlines for the kinds of schedules they want.

The airlines will reflect that and then they will move schedules in or out of Washington National or Dulles.

And we will have to be ready to adjust with their changes in schedules.

Senator MONRONEY. But, coming back to this problem, you say the public will be the one to decide.

Traffic today is as high as it has ever been at Washington National, strictly with prop-driven aircraft.

Yet Friendship has been quite busy, and has found that it could make money from jet operations with no diminishment of prop-driven aircraft here.

The question is:

DURATION OF USE OF PROPELLER PLANES

How long will the prop-driven aircraft continue to utilize this convenient downtown airport? Or what we will have to do with it. Are we going to have to get ready to noise-proof the congressional office buildings and the Federal Government's buildings and the White House against the noise?

Mr. HALABY. I could not give a definite date, but I think you are right, sir, in saying that this time is approaching.

For example, the shuttle, which as I understand it, has been profitable and has certainly offered a great deal of convenience to the public between here and New York and Boston, is using a fully depreciated Constellation model.

I think this would have been a surprise to most people 3 years ago if someone had forecast this, but in fact, the airplane is fully depreciated, it has a reasonable direct operating cost and it has been a successful operation.

It will probably be shuttling for some time ahead. Maybe the Electra will become the shuttle 10 years from now and the 727 will become the Electra of the present day.

The British and French are quite active in this short-haul field, as I believe you know. The Germans are coming in, also. There is nothing fixed about aviation. Changes are the way of life in this business.

Mohawk Airlines placed an order 2 weeks ago for the BAC–111, which is a twin-jet airplane.

The Caravel is being operated by United Air Lines now, and this is a problem, and we are ready to meet it at either airport but I believe we ought to keep jets out of Washington National for the present.

Senator MONRONEY. Thank you.

Senator MAGNUSON. Well, we will recess for 5 minutes.

(A short recess was taken.)

Senator ELLENDER (presiding). The committee will come to order. I understand that Senator Young desires to ask a question.

INTERNATIONAL PEACE PROGRAM

Senator YOUNG. I would like to ask you a question here.

On page 46 of the news release there are three North Dakota projects. One of them I am particularly interested in is the International Peace Garden Airport. When do you plan to start work on that?

Mr. HALABY. We do not have the man in charge of the airports program with us, Senator, but if you do not mind a general answer I will give you a quick one, and then we will get you the specific one and put it in the record.

Whenever the local sponsor or community comes to us they have to show us that they are ready to go, that they have got their part of

the money and they can accept matching Federal money. And I believe the answer is that very shortly and presumably, during the fiscal year 1963 they will proceed with that project.

Senator YOUNG. And in the case of all three you feel that they will go as soon as the money is available?

Mr. HALABY. Yes, sir.

Senator YOUNG. Thank you.

Mr. HALABY. Our money is available and ready as soon as they have met the requirements, and we believe by announcing the program that it will help a lot.

DUPLICATION OF AIRPORTS

Senator ALLOTT. While we are on that subject could I ask you this: You have used the words "hard nosed" several times here today. Are you being real hard nosed about duplication of airports? I have in mind situations in my own State, and other States I know of, where in the past we were in the midst of financing two airports to satisfy two civic prides when one would have done just as well.

Mr. HALABY. It is not a pleasant job to be hard nosed, but I was born and raised in Dallas, Tex.

In fact, the first time I ever saw an airplane I was about 3 years old, it happened at Love Field, and it was a silk-scarf-and-helmet type of thing, an old beat up "Jennie."

It was a mud strip along the road. You could go up for 50 cents on Sunday.

We have refused to put another nickel of grant-in-aid funds in that airport because there is a darn good jet airport halfway between Dallas and Forth Worth.

Senator ALLOTT. And that is——

Mr. HALABY. Amon Carter Field. It is a pure, unadulterated case of civic pride, costing the Federal taxpayer many millions of dollars, and we are not going to duplicate it so long as I am in this job.

Now, my reputation in Texas is not very good as a native son, but I say again that we are not trying to get popular.

Senator ALLOTT. Well, the occasions and the places that I was thinking of were not under you, anyway, but I do think that it is a place where we cannot afford to spend the taxpayers' money, and I am happy to hear your answer because I do not think we ought to continue spending money——

Mr. HALABY. It is not just in the Federal grant costs, sir. It is also in the facilities' money.

People forget that we have to put several million dollars into towers, lighting, instrument landing systems, radar approach controls, and all of these other facilities that also mount up.

Senator ALLOTT. Plus continued operations?

Mr. HALABY. That is one reason why this operation's budget has gone up.

Here is a really steadfast policy that we will not duplicate in cases like that, simply for civic or political purposes.

Secondly, if they are under the use-it-or-lose-it rule of the CAB we will not put any money in it.

If an airport can serve more than one community and the CAB has an original airport study underway we will hold money until we have determined which is to serve the community.

This is the case in many of the New England States and these are hard-and-fast policies that we are holding to.

PROVISIONS OF FEDERAL AIRPORT ACT

Now, you know in the Federal Airport Act there is a formula based upon population and size which we have to adhere to and make available funds within that formula.

Senator ALLOTT. Thank you.

CIVIL SUPERSONIC AIRCRAFT DEVELOPMENT

Senator MAGNUSON. All right. Now we come to the last item, the civil supersonic aircraft development.

And I quote again from the House report:

> The budget estimates include $25 million to continue the feasibility study of the development of a civil supersonic aircraft.
>
> The committee is recommending $15 million for this purpose. The 1962 bill provided $11 million to initiate this research, and the committee is hopeful that the study can be completed during fiscal year 1963.
>
> The National Aeronautics and Space Administration and the Department of Defense will also be engaged in related research for supersonic jet aircraft.

Mr. HALABY. Senator, I know how pressed you are for time——

Senator MAGNUSON. No, go right ahead. This is an important subject.

Mr. HALABY. If I can whip through this we can make available the appropriate parts for the record later on.

Senator MAGNUSON. Yes.

Mr. HALABY. This, as you know, is a new program, and it is not our primary interest or primary responsibility in relation to air traffic control, in relation to flight standards and all the other things.

The previous planning, that occurred before the new administration came into office, envisioned a $5 million study and my predecessor proposed that there be such a program.

The Budget Director knocked it out and it never came to Congress. We came last year with a $12 million program, and we got $11 million, and we ask this year for an additional 25, and the House permitted 15.

We believe——

EXPENDITURES TO DATE

Senator MAGNUSON. Now, right there, how much has the FAA spent on this program to date?

Mr. HALABY. Very little spent but all but several hundred thousand of the $11 million is obligated.

Senator MAGNUSON. All right, but to date you have obligated or have had appropriated to you $11 million?

Mr. HALABY. Roughly, yes, sir.

Senator MAGNUSON. And the $25 million would make the total program for the 2 years $26 million?

Mr. HALABY. $36 million.

Senator MAGNUSON. $36 million.

Mr. HALABY. Yes, sir, which is $14 million less than we estimated last year.

Senator MAGNUSON. Now, would this complete the feasibility studies?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. So that we are to understand that if we should put the 25 in, or recommend it rather, that that would be then a cost to us of $36 million for this portion of the civil supersonic program——

Mr. HALABY. Yes, sir.

Senator MAGNUSON. As it relates to FAA?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. OK.

Mr. HALABY. This is a very quick and rather generalized presentation.

WORLD SUPERSONIC TRANSPORT

It is kind of a world supersonic transport and it goes back to 1952 with the piston aircraft, to 1962, the today's jet and the Mach-3, the 2,000-mile-an-hour supersonic air transport.

A flight from New York to Paris took 14 hours and 7 minutes for a piston powered transport. It will now take 2¾ hours with this airplane, that is, of course, now a paper plane.

Seattle to Tokyo, was 21 hours for the piston aircraft—all these flights on the west-bound Seattle-Tokyo run are one-stop, presumably at Anchorage—today it takes 10½ hours supersonic air travel, will take 3¾ hours.

Senator MAGNUSON. I want to suggest that since I have been chairman of this committe Seattle has more air service on paper and charts than any city in the world. That is all right.

Mr. HALABY. This is the same.

A west-bound hop in the United States with a DC–6, you can go in 1 hour and 50 minutes out to Columbus, Ohio.

With the 707 you could get to St. Louis in the same time, while the mach 3 would take you to San Francisco or Seattle. Of course, you get to Seattle an hour and 15 minutes before you leave New York, which may be the best plane on paper yet, because of the 3-hour time difference.

NEW TYPE PLANE

Now, this airplane is not the child, even the stepchild, of the B–70, and I am afraid that we did not make it clear in our presentation to this committee last year that this was not like the Boeing 707, which was the grandchild of the B–47, and the son of the B–52, and the KC–135.

Our RS–70 will teach us a great deal on how to produce this airplane. It will teach us how to fabricate the steel and titanium alloys into the structure, but it is not comparable in any respect to a civil supersonic transport and, therefore, instead of just going from the RS–70 into, let's say, the North American (NA–1000) supersonic transport, you will have to expend a substantial amount of money in development costs.

Now, the DC–6, without engine development, cost about $14 million to develop back in the late 1940's, and the DC–8 excluding en-

gines, cost about $112 million to develop. The engines used on the DC–8 were produced for the B–52's and also used on the KC–135 aircraft.

If you had an engine figure it would probably be another $100 million or so, but it was low in comparison to developing an engine for the supersonic transport.

PRESENT STATUS OF COST ESTIMATES

Now, we cannot honestly tell you how much it will cost to develop this airplane. We have an estimate from one manufacturer that he can produce two of these if we, the Government will provide the engines, for about $150 million.

But the engine is the problem.

We have an estimate from another manufacturer that he can produce two for $85 million if we provide the engines. We are a little dubious about that one.

NEW POWERPLANT NEED

Now, this whole development would include a new powerplant and that is where most of this $36 million request would go.

Why do we need a new powerplant when we are spending all of that money on the RS–70?

The answer is that it makes too much noise because it uses afterburners for take-off. It goes into mach 1 flight at too low an altitude. It has to refuel because the fuel consumption is so great.

Now, here are the capital resources of the four principal parties at interest.

The General Dynamics Corp., has indicated recently that they are, in fact, interested but their resources are in the same average as this.

Boeing has total capital resources—and this is net worth plus long-term debt for 1961—of $324 million; Douglas, $222 million; Lockheed, $165 million; North American, $230 million.

So it is obvious that Government support will be necessary for the development cost which is estimated in the range of $500 to $600 million.

After that there would be a cost for tooling, preproduction, and then you would get the first manufactured airplane.

NATIONAL PRESTIGE IN PRODUCTION

Now, a great deal is at stake here, such as national prestige.

It is obvious that getting to mach 3 first is quite important, although maybe not as important as getting to the moon first. But it is terribly important and very tangible.

You can see the passenger getting off of the airplane in an hour and 50 minutes from New York to Seattle. Of the turbine-powered aircraft fleet of the free world airlines, we sold most of the exported airplanes until the turboprops came along and then we only manufactured about 210 of the 900 total that were built.

The British and the French, with the Viscount and the Caravelle, scooped us in that market.

The two to three engine jet—I am sorry—I should not have included the Caravelle in here. I should have included the Viscount, and there is at least one other.

And that one is the Britannia, I suppose. Here is the Caravelle here.

And then the four-engine jets came back with a rush and we got most of that market except the Comet four-engine jet market.

Now, we believe there is a market for at least 150 of the supersonic jet airplanes in the period of 1970–75.

We have heard that it may be as high as 350. We have heard as low as 100.

POTENTIALITIES OF PROJECTED PLANE

Determining the market is full of difficulty, but you can see why there would be an economic advantage if we can develop an airplane at the right price.

While the DC–6B can carry 50 million seat miles per year and the 707 can carry 170, this airplane will carry 525 million seat miles.

In terms of dollars the DC–6B costs about $1.5 million; the 707, about $6.5 million. No one knows exactly what the price of the supersonic transport airplane would be.

The lowest estimate we have seen is around $10 million and the highest we have heard is around $30 million.

You would have to know how you came out on development, what the size of the market was, what we learned about fabricating with steel, before you could know the price, but $20 million is a conservative figure.

ITEMS INCLUDED IN COST FIGURE

Senator ELLENDER. In that $20 million is that the cost of research?

Mr. HALABY. You mean is this the production cost including the development cost?

Senator ELLENDER. Yes.

Mr. HALABY. Here is the way we pictured that.

First, let's say it would cost $450 million worth of development costs. We think we should recover some of that cost, so we would add a royalty, a Government royalty, onto the purchase price of the airplane. Now, if they could sell it at $18 million and we put $2 million more on, we then would recover $300 million on 150 planes for an order of that type.

So we would recover two-thirds of that development cost.

Now, if we sell 200 aircraft, you would have a higher figure.

PRECEDENT FOR RECOVERY FIGURE

Senator ELLENDER. Is there any precedent for our adding that? That is the whole——

Mr. HALABY. For an airplane? I think not.

If the Government has done it, Senator, it would have been credited against some military contracts but on a straight royalty basis I know of no precedent for it; but I know of no precedent for this airplane or the economic and financial benefits it creates.

Senator HOLLAND. The precedent for it, I should think, would apply to precedence in patents or new processes which were discovered by the hundreds and then either obtained by the Government or granted to the Government and made public use processes in order to make better service to our people.

I know of no precedent for anything like this.

For instance, there was the citrus fruit patent, and it was discovered as a very useful process to make millions of dollars and more fruit available all the year round, and it was granted as a public-use patent, and there are many such precedents but here you start something rather difficult and try to impose a penalty on the very industry that you are trying to build up is something that you——

RECOVERY OF SPECIAL SUBSIDY

Mr. HALABY. I do not think of it as a penalty. I think of it as a recovery of what would be regarded by many as a very special subsidy.

And it would seem to me that we might plan on recovering about half or two-thirds of those developmental costs.

Senator HOLLAND. I hope the Senators, who are talking against this communications satellite, do not hear of this.

It might put new ideas in their minds of how the Government would be compensated in that field.

Mr. HALABY. Well, I hope they do not, either, Senator.

EUROPEAN PLANS FOR SUPERSONIC PLANE

The supersonic transport development plans in France and Britain are moving along. In the Soviet Union the plans are not quite as definite as these.

In France they have a pretty firm program. They are shooting for 1966 or 1967 or somewhere along in there for a first flight.

They think of putting it into service 3 years later and have set aside $25 million, and we understand that it is with General De Gaulle's backing.

And they seek to build a kind of Caravelle of the supersonic world, mach 2, aluminum construction.

They think they might sell 350 of them. They have not priced it but I think they estimate a price of about $7 million per airplane.

We are very dubious about their ability to build the airplane at that price. They would use British engines.

The British and French have been collaborating on these studies. The British have, at least, two engines that they would provide.

They think of a transatlantic airplane, a longer range airplane, a bigger airplane, and naturally, with their nationalized airline, they would want to get the first civil supersonic transport aircraft across the Atlantic, and then they would want to sell it to us for British pounds.

Then they would want to earn dollars by selling to our airlines, Pan American and TWA, a Franco-British airplane.

SOVIET CONSTRUCTION ACTIVITY

We do not know what the Soviet Union is doing.

General Lognvov, who is the head of Aeroflot, told me that they were working on two models, one a version of a military bomber, the "Bounder," which is something comparable to our B–58 and then he said "Probably, they will build me one for Aeroflot later."

We do not know whether that is so or not.

They could fly one in a month and it should probably be a kind of tricked up bomber for propaganda purposes, but they are quite capable of doing it.

We think that if they do it that way they may be the first with the worst.

PLANE BASED ON NASA RESEARCH

Our idea is to get the best one that will be economically competitive, safe, and profitable to the carriers.

One version of the airplane is this model here, which is based upon the work of NASA, which is doing complementary basic research in the field of supersonic technology.

Now, they have a very unique design where the wings fold forward for takeoff and you get a more controllable takeoff at a lower speed. At approximately an altitude in excess of 40,000 feet you would fold these wings back and go from the subsonic speeds of the current jets, about mach .8 or .85, through the transsonic speed range to mach 1 and beyond.

This airplane would cruise at about 75,000 feet, at 2,000 miles an hour, with four engines, carrying anywhere from 125 to 150 passengers.

DISCUSSION OF B–70

I come back again to the B–70 because it is very much on your minds, as so much has been invested in it. It has an afterburning engine. You cannot take off from Los Angeles or New Orleans or Seattle with an afterburning engine because of the amount of noise it makes.

Secondly, the B–70 airplane is designed for long runways, high speed takeoff, and landings at military airports which our airline pilots are not accustomed to and to which we do not believe we would want to subject revenue-paying passengers.

The B–70 goes through mach 1 at an altitude lower than we believe would be tolerable by the populace due to sonic boom. The B–70 has to be refueled because it has a very high specific fuel consumption in those engines and could not make these long hops that we are talking about here.

So we will learn a great deal from it. We certainly support this development and there will be a lot of technological fallout, but it is neither the grandfather or the father of a civil supersonic transport.

Senator MAGNUSON. For the record, who recalls how much we put in the Defense bill for the B–70?

(No response.)

Senator MAGNUSON. Well, we will get that figure. I think it was around $300 million.

Mr. HALABY. It was more than that, sir.

Senator ALLOTT. It was more than that.

Senator MAGNUSON. It was more than that, 300 or 400 million.

AMOUNT FOR NASA

How much is being asked for by NASA?

Mr. HALABY. NASA will be coming up before you——

Senator MAGNUSON. I know it.

Mr. HALABY. A total program of aeronautical research of $51 million. This is subject to correction by them, of which approximately $20 million is for basic research on supersonic technology.

Senator MAGNUSON. Now, I ask you: Would there be any duplication between what you plan to do and what NASA is doing?

I think you have made your statement regarding the military.

Mr. HALABY. Right.

Senator MAGNUSON. Now, what about that?

EFFORT TO AVOID DUPLICATION OF RESEARCH

Mr. HALABY. We have a former Director of Flight Research at NASA, Mr. Gough, who is our Director of Aircraft Development Service.

We have Col. Lucian Rochte, assigned to us by the Secretary of Defense, and we then have a working level committee with men from NASA and Defense that they deal with.

Mr. McNamara and Mr. Webb and I are the steering committee for this project. We met last Friday on it and it is our purpose to see that there is no duplication between NASA's end laboratory research and our contracted work among the airplane and powerplant corporations in the country.

Senator MAGNUSON. That clears that up.

TOTAL FOR AERONAUTIC AND SUPERSONIC RESEARCH

Mr. HALABY. Those NASA figures were a total of $52,500,000 for aeronautical research of which $18 million is for supersonic work.

Senator MAGNUSON. So their program is a type of program somewhat similar in dollars and cents, in a general way, as yours, and that is NASA's?

Mr. HALABY. Yes, sir. That is for all——

Senator MAGNUSON. And, for the record, $362 million was put in and is, indeed, for the——

Mr. HALABY. For the RS–70.

Senator MAGNUSON. Yes.

Mr. HALABY. Yes.

ESTIMATE OF TOTAL COST OF PLANE

Senator ELLENDER. What is your estimate of the cost of a plane of this kind, that is in research, up to a point where you get it ready to fly?

Mr. HALABY. Well, I will give you a personal estimate, which is based upon listening to all of the airplane manufacturers.

All of them have been in, the British, French, and American powerplant manufacturers, and then the "guesstimates" of the airlines are in, too, as to what it might cost, and it is in the order of $600 million.

Senator ELLENDER. Do you think it is worth spending that money?

Mr. HALABY. Well, let me say——

Senator MAGNUSON. Well now——

Senator ELLENDER. That is, just to cut off a few hours of going to Europe or to Seattle?

SOURCES OF FUNDS

Senator MAGNUSON. I think we ought to clear that up, that this would be the Government's expenditure.

Mr. HALABY. Yes, sir.

Senator MAGNUSON. Now, there are all kinds of other expenditures in which the aircraft people, themselves, would contribute, and do contribute in this working up to make it.

Is that correct?

Mr. HALABY. That is correct.

Senator MAGNUSON. It might be almost $300 or $400 million there?

Mr. HALABY. I think they would risk very substantial quantities of their money when they got to the production phase.

I think they would pay a small fraction in the developmental phase.

Senator MAGNUSON. It is not all governmental in this?

Mr. HALABY. No; in fact, all manufacturers have spent some money to date and for every dollar's worth of Government money we tried to get $2 worth of effort.

Senator MAGNUSON. As a matter of fact, the Boeing crowd did not get a couple of them because they did not put in enough of their own money?

Mr. HALABY. Yes, sir. I think——

Senator MAGNUSON. Or they did not say they put in as much money.

Mr. HALABY. Well, all right. There are two things there. I believe——

Senator MAGNUSON. Well, we need not go into that.

Mr. HALABY. I believe it is fair to say that some of the companies know more about doing this than others, and they did not want to disclose their proprietary information, and they did not feel they needed to share the costs so much.

Also two companies—two major aircraft companies—got together and teamed up.

So we are getting from that particular contract 50 percent cost sharing.

We get $2 worth of work for a dollar's worth of labor. Now, I am sure someone is thinking to himself, "Well, where did their dollar come from?"

It would take some very sharp analyst to go through and try to find where that dollar came from, but, in any case, they are giving us twice as much for our dollar.

SUPREMACY IN AERONAUTICAL FIELD

Now, Senator Ellender asked why is it worth it.

First, I think we have supremacy in the aeronautical field and we ought to keep it.

Senator ELLENDER. You mean, civilian?

Mr. HALABY. Yes, sir.

Senator ELLENDER. Why?

Mr. HALABY. How did we get it or——

Senator ELLENDER. Why? I said why should we have it?

Mr. HALABY. Why should we have it?

Senator ELLENDER. Yes, it strikes me that this ought to be worked in conjunction with the Air Force.

Mr. HALABY. Yes, sir; it is.

Senator ELLENDER. They are spending millions of dollars, as was pointed out, and I just do not see these huge expenditures in the light of our present expenses of the Government.

Mr. HALABY. They build bombers and reconnaissance bombers, and they have some fighters that are supersonic. They do not have a transport.

The second reason, aside from prestige, is that it will earn foreign dollars as there will be a very large export market. We need to earn foreign currencies in our export market.

Thirdly, it will create something like 30,000 jobs a year for 10 years in the airframe and powerplant industry.

And, finally, it has some economic advantage to get from Seattle to Tokyo in a very short time, and to get from New York to Paris in a very short time, not only in communications, but in economic benefits to those who travel.

Senator HOLLAND. Mr. Chairman, can I ask one question?

FUNDS REQUESTED FOR FEASIBILITY STUDIES

Senator MAGNUSON. Yes; go ahead.

Senator HOLLAND. Do I understand that this $10 million item here is primarily for use upon this development?

Mr. HALABY. It is a request for $25 million, sir, and the House cut it by $10 million to $15 million.

Senator MAGNUSON. The House cut it by $10 million to $15 million.

Senator HOLLAND. And you are proposing $10 million more?

Mr. HALABY. We are requesting that you restore the amount cut.

Senator HOLLAND. And the 15, if it were left in there, would it be applied to this purpose?

Mr. HALABY. Yes, sir.

Senator HOLLAND. So if we enter into this we are entering into a project that you think now will cost us $600 million?

Mr. HALABY. I did not say that, sir.

This money is solely limited, and the President has limited me to conducting feasibility studies to determine if this can be done and whether the airlines use the airplane without subsidy.

And all we are saying is that if you give us the $36 million we will know whether or not to go forward with it and, if so, how.

Thereafter, there would be the need for a prototype, and that contract could very well be let, Senator Ellender, through the Department of Defense, because they have the experience in aircraft procurement.

The airlines would want to indicate the specifications and the economics for the airplane.

And, of course, the FAA will want to see that it is certifiable and NASA would feed in the work that they are doing to the engines and the airplane itself.

DEVELOPMENT COST

Senator ELLENDER. You gave me a figure a while ago in response to a question. I think it was something in the neighborhood of $600 million. What was that?

Mr. HALABY. That was the developmental cost.

Senator ELLENDER. That is what Senator Holland is asking you about.

That would be the cost of it?

Mr. HALABY. If this feasibility work proves out.

Senator ELLENDER. You know it will.

Mr. HALABY. Well——

Senator HOLLAND. Let me ask another question.

TIMELAG IN ACHIEVING U.S. TURBOPROPS

When turboprops were brought out the first commercial airplane was the Viscount, was it not?

Mr. HALABY. Yes, sir; I think the first commercially acceptable one was the Viscount.

Senator HOLLAND. Manufactured by Rolls-Royce, a British manufacturer.

How long did it take our manufacturers——

Mr. HALABY. Vickers manufactured the airplane and Rolls-Royce, the engine.

Senator HOLLAND. Vickers manufactured the airplane and Rolls-Royce manufactured the engine.

How long did it take our manufacturers to equal and exceed that with the turboprops that we now have, such as the Electra?

It did not take very long, did it?

Mr. HALABY. I could give you that in months but it was in the order of a couple of years and, unfortunately, I think the Lockheed Aircraft Co. will tell you that they anticipated a much larger market than they got, and they had to write off substantial losses in the development, partly due to the availability and comparative competition of the Viscount.

USE OF SUPERSONIC PLANE

Senator HOLLAND. And we might find the same sort of experience even if we produce something in this field.

Is that not true?

Mr. HALABY. I doubt it seriously.

Senator HOLLAND. You do not know whether the people will use it or not, do you?

Mr. HALABY. I think if you can get from here to Los Angeles in an hour and 50 minutes the people will use it.

I think also, sir, the Viscount analogy is not a good one, because I do not think that once we are settled to go ahead that any other country, except the Soviet Union, would compete with us because of the cost of developing a supersonic transport.

And, therefore, the importance is to go ahead and capture this market and produce this kind of air traveling service, and we are in competition with the Soviet Union on this.

From my own personal point of view, $36 million to study this and, even $636 million to study and then develop it, is not very much when I see $3.8 billion this year and a substantial additional amount next year, not for going mach 3 or even mach 2, but for going to the moon.

Senator HOLLAND. People do not stop traveling in DC–7's when jets were available from Friendship, did they?

As a matter of fact, didn't one line come back in here to National and take almost the whole Miami trade by sticking to the DC–7's and by sticking to the regular prop trade?

Mr. HALABY. I do not know the proportion of jets out of Friendship to Miami versus propeller out of Washington National to Miami, but I would guess they were both fairly substantial fractions.

I do not think it is 90–10 or any such ratio as that.

Senator HOLLAND. There is still a great preference, as far as numbers are concerned, to travel in prop planes, is there not, on that run?

Mr. HALABY. On that run? I would have to get you the answer to that. I do not know.

Senator HOLLAND. Would you supply that for the record?

Mr. HALABY. Yes, sir; I will.

(The information referred to follows:)

There are from 1 to 3 jet schedules daily from Friendship to Miami, depending upon the season; and 13 flights daily from the Washington National Airport to Miami for propeller aircraft.

RELATION TO RS–70

Senator ALLOTT. Mr. Chairman, I quoted Mr. Halaby sometime ago.

Mr. Halaby, I quoted your last year's testimony during fiscal year 1963 Defense appropriation hearings. I told the Air Force I would like to have their comment on the supersonic transport plane development. They said:

It is their contention—

speaking of you—

that development of a supersonic passenger plane has to proceed on substantially independent lines.

This is your point of view, is it not?

Mr. HALABY. Independent of?

Senator ALLOTT. Independent of RS–70.

Mr. HALABY. Well, they are interdependent, but——

Senator ALLOTT. Well, they are interdependent, but you made the point——

Mr. HALABY. If we had no RS–70, we would have a much tougher job.

Senator ALLOTT. That is right. They are interdependent to the extent of structures, materials, and the like, but in the construction of the supersonic transport plane you made it clear last year, and you have repeated it again this year, that you cannot construct a supersonic plane around the airframe of the RS–70?

Mr. HALABY. Yes, sir.

Senator ALLOTT. And you used your grandpa analogy?

Mr. HALABY. And North American Aviation, who builds the RS–70, I am confident, would say to you, sir, that to produce this civil supersonic transport they would need around $700 million, and around 7 or 8 years.

And, of course, they are as anxious to build it as anyone else.

Senator ALLOTT. Well, I wanted to be sure that this point was clear, because there has been a great deal of confusion about it.

Mr. HALABY. Yes, sir.

TESTING PROGRAM FOR RS–70

Incidentally, sir, we are going to be in on the first test airplanes that the military is buying, the first RS–70, in various test programs that will help get the answers for this airplane, the sonic boom, and a variety of other interrelated projects.

This airplane, going at mach 3, has something called "sonic fatigue."

You may have it right now from listening to me, but this sonic fatigue is the compressibility effects on the structure of the airplane and it may reduce the useful life so far as the temperature effects in various parts of the airplane.

Maybe one of those airplanes could be assigned to NASA to conduct research and tests at some point in the life of the experimental program.

EFFECT OF BEING LIMITED TO HOUSE ALLOWANCE

Senator ALLOTT. Well, I know you will not like this assumption, but, even assuming the favorable action of this committee upon your request in this category, it is unlikely that we would come out with all of what you have requested in conference with the House.

Now, just what would be the effect if you were limited to the $15 million that the House has given on this program?

Mr. HALABY. Well, sir, we would have to reprogram the efforts and it would reduce it, obviously, by $10 million, and the effect would be that we would lose time in relation to what the Soviet Union or the French and the British may be doing.

Senator ALLOTT. How much would it slow it down? That is what I really wanted to know.

Mr. HALABY. Well, sir, I do not know.

Senator ALLOTT. A year?

Mr. HALABY. I just honestly do not know how it would slow us down. I think it would simply reduce the amount of knowledge we could acquire as a basis of determining whether we should continue with this program.

The RS–70 is going to teach us a lot. If the Department of Defense proceeds with the TXF, that is the triservice fighter project, that will be very instructive. The engine development is the critical item for the supersonic transport. We need a non-after-burning engine for takeoff: one that would go through mach 1 above 40,000, a sonic boom amelioration: one that would have lower fuel consumption: getting that engine is the most critical item.

We would tend to put most of our money, as we did this year, on engine research.

I wish I could give you a finite answer but I can only tell you that I do not know.

Senator ALLOTT. What about the size of airports?

AIRPORTS FOR SUPERSONIC PLANE

I believe you testified last year that it was contemplated that a supersonic transport would operate out of the jet airports that we have at the present time. It would be so constructed?

Mr. HALABY. Yes, sir. We would require, before proceeding, that it operate out of current jet airports with no more noise than is presently made, and less if possible, and that it have direct operating costs at or slightly above the subsonic jets we are now operating.

We do not think we could bring on with this airplane a whole additional Federal airport program, more noise complaints, and less profits for the airlines.

AERIAL REFUELING NEEDED

Senator ALLOTT. Did I understand or misunderstand you to say you said that this plane would require refueling?

Mr. HALABY. The RS–70 would require aerial refueling, and we do not believe at this time that we would want to subject the passengers to the aerial refueling.

Senator ALLOTT. You are referring to the RS–70, then?

Mr. HALABY. Yes, sir.

Senator ALLOTT. And not the supersonic?

Mr. HALABY. No, sir; this would have to be nonrefueled in the air.

Senator ALLOTT. I think that is all I have.

Senator MONRONEY. Mr. Chairman?

Senator MAGNUSON. Senator Monroney.

COMMITMENT TO DEVELOPMENT PROGRAM

Senator MONRONEY. If we provide this money to complete your planning and studies then for what amount are we committed for the development of this plane?

The reason I am asking this question is, I think the committee ought to know here and now that we are buying a $400 or a $600 million development program for this plane. It is my judgment, from what you have said, that there are no U.S. airplane manufacturers, who are the greatest in the world, that would be prepared to put their own money into it.

Now, I think we ought to understand this. We are not going to put another million dollars worth of plans on the shelf and wait until somebody comes along some happy day and say "I am ready to put $600 million of my money into this."

So let's not kid ourselves that we are not committing $400 million of developmental cost or, perhaps, $600 million, for this plane.

Mr. HALABY. Well, Senator, I guess one rather unfortunate example, or perhaps I should say an example of sort of dragging along with a program, would be the aircraft nuclear propulsion program.

You remember, year after year you appropriated funds in the belief that there would be a breakthrough in the very serious problem

of shielding the effects of the airborne nuclear reacator and, finally, I believe, last year the program was canceled without having gone into a prototype airplane.

Now, we say we have learned from that and we want to know whether a supersonic transport airplane is economically feasible. Senator Monroney, I know you realize we are talking about both technical and economic feasibility—there is no question as to whether we can build it. There is absolutely no question on that.

It takes manpower and money to build the airplane.

Boeing can do it, or any one of these companies can do it. The question is whether you can build it and then put it into operation safely, economically, and outdo the competition, because unless we can do that all we are doing is buying another big subsidy bill and that does not make any sense.

ESTIMATED COST OF DEVELOPMENT

Senator HOLLAND. If I understood your testimony, it is that if the research is successful it will take you $600 million to develop the airplane toward which you are working. Is that right?

Mr. HALABY. If this $36 million phase proves that it is economically and technically feasible then it will cost you an additional amount, and I have given you a very conservative estimate of $600 million.

I notice the Senator said from $400 to $600 million, but I think he was looking at the other end.

Some say this thing will cost $750 million and others say $250 million.

I am trying to be very conservative in saying that it is in the order of $600 million that it would cost.

Senator MAGNUSON. But that is a decision that has to be made then?

Mr. HALABY. Exactly.

Senator MONRONEY. But what we have to do now, Mr. Chairman, if we go forward with it, is to be ready to spend $600 million for this plane unless you want to "wash it out" in the economic phase.

Now, Russia is probably going to come out with a supersonic.

We could convert the Convair Hustler, and we could have a transport plane highly uneconomical and noisy and breaking windows all across the country and call it the same, if the Russians are probably calling their supersonic transport.

We do not choose to do that because it could not be economical

SUGGESTED DELAY PENDING RS–70 STUDY

I just wonder, and I have to be so doubtful of this thing, if we could slow this down a bit on research until we see what lesson we are going to learn from the RS–70.

This is going to teach you a number of things, as you say. It is going to be the basis, just like the Wright Brothers' plane was basic to the 707 jet, perhaps.

But I do think we are foolish if we do not consider that the followon from this is in the neighborhood, as you say, of $600 million.

Senator MAGNUSON. If he finds it feasible.

Senator MONRONEY. Now, the Government's development will produce two prototype planes. Then, if we find anybody to build them, we may be the first in the world with a new supersonic aircraft.

This is a risk that I think the country will have to decide whether or not it should run.

Mr. HALABY. Well, Senator, if you will apply the logic of the space program here you would then have never authorized and appropriated money for the Apollo and Gemini until the Mercury theory was fully completed.

We have to go forward if these studies show that we should go forward, and I appreciate your reservations but everything we know about the RS–70 is going into this airplane.

This airplane would not even fly for the first time before 1966 or 1967, and it would not be ready for the airlines for at least 9 or 10 years.

So everything we learn going down the road will go into it, just as we have in Mercury, as well as in a lot of shots in the coming months, applies to Apollo and Gemini.

VALUE OF MILITARY STUDY

The programs of the RS–70, the TXF, and any other supersonic work that they are doing in the Pentagon will apply to this and could bring the price down.

The biggest item right now, Senator Ellender, is the cost of fabricating this structure that will go through the heat thicket without softening or melting or disintegrating.

If the military builds a substantial number of steel airplanes the cost will surely come down for this steel airplane.

It may be that as a result of our study, we will not go for a mach 3 airplane but will be satisfied with a mach 2 airplane in which case the cost would not be $600 million. It would be substantially less and much more nearly within our grasp, and then the risk will be a matter of whether we should build this interim plane when maybe somebody else will build the steel airplane.

FEASIBILITY OF SPEEDS PAST MACH 3

Senator MONRONEY. But is it not a fact that all we now know indicates that it could go to mach 2 and go to mach 3, because this is the natural speed of a jet with the least resistence and least propulsion requirements?

Mr. HALABY. Well, the maximum lift over drag, and the higher productivity of the airplane par out in the speed of mach 3 and the nautical range of about 3,500 miles.

The longer this thing flies the more productive it becomes, and that is why we talk of mach 3 because it is a maximum within reach that we see now.

To go to mach 6 or 7, which is technically within our reach—as we have grown into mach 6.5 or so in the X–15 by increasing power, we will be able to add more powerful engines to the civil supersonic airplane and go on past mach 3.

They will be different engines and probably have a different cycle, such as the turbofan ramjets.

When you go to mach 2 you encounter temperatures of 250° F. When you go to mach 3 you start picking up temperatures along the forward surfaces of 550° F.

PLANES IN INTERNATIONAL AND DOMESTIC USE

Senator MONRONEY. Well, how many of these planes would you estimate would be in international use and how many in domestic use?

Mr. HALABY. Of the 150 figure I gave you which, I believe, is really conservative, just as the cost is perhaps on the high side, about two-thirds would operate transcontinental and one-third overseas.

Senator MONRONEY. I would suggest that you take that model around and poll the old ladies from Dubuque and see how many would like to travel transcontinental in that.

I happen to be a pretty dedicated air traveler, and I still think it is nice to fly, but I do not believe you are going to get the yield you think you are going to get from that in domestic service.

Now, when you are talking about transoceanic, I think it is very important, perhaps, to cut the term down a little, although when I pay $210 tourist class for a jet flight from here to New York to London, I get there in about 4 hours.

But I think you are going to find that this is going to be the answer to your airline financial difficulties.

Senator HOLLAND. Do you mean that you think the people would like to have a peaceful drink and time for dinner between the time of departure and the time of arrival?

Senator MONRONEY. Yes, you can hardly serve them now. You have a hard time serving an hour and a half transatlantic.

I mean, unless you take off——

Senator MAGNUSON. This is off the record.

(Off record discussion.)

Senator HOLLAND. Mr. Chairman, I would like to make one comment.

Mr. Halaby likened this next step in the field of aviation to the Apollo and Gemini efforts in the space effort.

COMPARISON WITH APOLLO AND GEMINI EFFORTS

That is not a proper comparison because Apollo and Gemini have always been, along with Mercury, calculated steps toward an objective which is still further ahead.

There have not been any necessary buildup toward this kind of thing.

Mr. HALABY. Well, sir——

Senator HOLLAND. And it has not been so regarded, and I think there is no basis for the comparison at all in this space effort to say that because we began Apollo and Gemini from Mercury that we should do that same thing in this field.

Mr. HALABY. Well, Mr. Webb may say that my use of his project as an anology here is wrong and, since I know very little about them, it is a risky analogy. But, sir, we are flying right now several airplanes at or above mach 2.

SPEEDS ALREADY ATTAINED

I had 2 hours in a B–58, out of Fort Worth and flew for 5 minutes at 1,300 miles an hour.

We have several other airplanes that are flying at this speed, and we are on the way toward mach 3 flights in the RS–70 and later in the TXF, if we proceed.

Before we are all dead we are going to have mach 4, 5, 6, 7, and 8 flights. And the question is, and I think, Senator Ellender put his finger right on it, Senator Monroney, is it worth it and "can you do it safely and with economic feasibility" and that is why we want the money to find out.

If we come back to you and say, no, sir, we cannot do it, then you would not be asked for any such figure as $600 million.

If we say mach 2 is all we can see then it would be a much lower amount.

Senator ALLOTT. Mr. Chairman, I want to say this, that I agree with the Senator from Oklahoma.

FULL COMMITMENT NECESSARY

We are doing more than appropriating or planning on appropriating an extra $10 million here, or, if we are really appropriating or planning on appropriating an extra $10 million, we really have to be prepared to commit ourselves, in the event of the findings of economic and practical feasibility to a program ultimately of $600 million.

I, perhaps, am more by myself than anybody else on this committee, for somebody that is regarded as a conservative, but I believe that if you pursue this research with complete objectivity and with complete objectivity find that upon the basis of structure and economic feasibility that it can be done, that there is going to be a demand for this plane by the time it can be put on the line, which will be somewhere around 1970, 1971 or 1972.

Now, I may stand alone in my thoughts in this, but I think of how a great many people regarded the jets as short a time ago as 4 years, that nobody, nobody in their right mind was going to put $6½ million in an airplane that just would not pay off. I believe they now think about it differently.

When I think that we regarded, well, the DC–6 in somewhat the same category, and then the DC–7, I cannot help but feel that the forces of this world are such and the forces of our American way of life in the world, are going to be such that if we go ahead in this, provided you make objective findings in your research, that by the time we are ready to go ahead with it, that there is going to be a market.

But your research has been or has to be, and your appraisal has to be, coldly objective and what the Senator from Oklahoma says, I think, is true.

We are really not making up our minds about $10 million here. We are making up our minds about $600 million, if you find the feasibility.

Mr. HALABY. Yes, sir, if we find that it is feasible.

On objectivity I may sound like I am selling this airplane but I do that because I think there are so many doubts and, as you say, there is a certain loneliness in being in an advanced position on this. But we would have to certificate any such airplane.

We would have to authorize the pilots and crew members to fly it. We would have to give an assurance to the public that it was airworthy, so we are going to be absolutely objective about it.

But I do not think we should shrink from studying the economic feasibility of it, but we will come back to you and tell you very candidly about it.

In fact, that is all the President has authorized me to ask you for.

Senator MAGNUSON. Well, if it turns out to be economically feasible, why, whether we are here or not we are going to build it, and we probably should.

Mr. HALABY. I read an article just a couple of days ago that we were going to be charged with going too slowly with this project——

Senator MAGNUSON. Well, that author has never been a member of one of the committees.

VIEWS OF ADVISORY GROUPS

Mr. HALABY. One other thing, Senator: We do have a pretty hardheaded advisory group consisting of members with backgrounds in the airlines, manufacturing, financing, airline pilots, and an experimental test pilot, who are looking over our shoulder on this.

It is not just our views, but it is the whole works overseen by some pretty tough-minded guys.

Senator ALLOTT. Maybe I should know the answer to this but I would like to ask you the question anyway:

Why is NASA doing the research work on the frame?

Mr. HALABY. Sometimes it is hard to recall but NASA did almost all the basic aeronautical research in this country until it became the Space Agency.

It is still doing aeronautical research, and they will come to you shortly for about $50 million worth of aeronautical research in fiscal year 1963.

Senator ALLOTT. Is that the old——

Mr. HALABY. NACA was the nucleus of——

Senator ALLOTT. That is under NASA?

Mr. HALABY. Yes, sir.

Senator MAGNUSON. It has folded in.

Well, if there are no further questions we will come back from Cloud 9 or come back to mach zero.

LETTERS FROM SENATOR BYRD OF WEST VIRGINIA

For the record, Senator Byrd, of West Virginia, has sent me letters which I will give to the Agency to take a look at, and you can answer it for the record if you wish or you can send a letter back.

(The reply and letters referred to follow:)

The Charleston, W. Va., office was closed March 1, 1962, in keeping with Agency policy of decentralization and consolidation of district offices. This particular phase of the decentralization program will include delegation of additional authorities to general aviation district offices, and will enable per-

sonnel in these offices to make immediate decisions and resolve problems at the local level. Qualified and well-trained specialists in all phases of general aviation are required in a general aviation district office to assume these additional authorities. Larger, centrally located offices, properly staffed with aviation specialists, will enable us to provide this type of service to the public. In summary, the establishment of larger geographic areas permits the staffing of a decentralized office with a variety of specialists capable of making a variety of technical decisions. This, in turn, will improve the effectiveness of our programs and provide a more complete service to the entire aviation community.

The current workload in the area which was assigned to the Charleston office justified a staffing of only one operations inspector, one maintenance inspector, and one clerk-stenographer. The amount and complexity of this workload was such that the technical positions could be classified only at grade GS–12. This classification resulted in a situation whereby qualified inspectors assigned to this activity bid on and were assigned to higher positions elsewhere, resulting in a continuous turnover of personnel. Our experience has been that the somewhat isolated field office does not receive desired supervisory attention. This is not due to reluctance on the part of our supervisors, but rather to the fact that the span of control is excessive. Our eastern region is responsible for the management of 321 facilities. Accordingly, we firmly believe that we must phase out the less efficient offices, and continually seek consolidations designed to improve the efficiency of our field operation. There are definite indications that the staffing of the FAA regions has reached a leveling off point which compels us to look for improved managerial and organizational efficiency to absorb increased workload requirements.

The Charleston office served 64 airports, 4 certificated repair stations, 12 air taxi operators and 8 flight schools. These are located throughout the State and in many instances are equally or more accessible to district office locations out side West Virginia.

In considering the requirement for an office of this type, it must be realized that regardless of where the district office is located, the personnel assigned there serve an area, not just one location. As a result, they are in frequent travel status. For example, even though an inspector is stationed at Charleston, he would be traveling much of the time and his services would not be immediately available at that location. We have found that a larger office, staffed with at least five technical specialists, can operate much more efficiently and economically and provide better service to a given area as a whole than can a smaller office with only one or two assigned inspectors. In addition, the larger office has the essential capabilities for providing continuing service during periods of annual and sick leave, training and other absences whch materially reduce the effectiveness of the small office.

In order to keep pace with the steady and rapid development in general aviation activities, it is necessary to adjust the organization of our field facilities from time to time. The Agency is continually appraising operating methods, looking for ways to improve service to aviation communities and keep costs to a minimum. The decision to close the Charleston office was based on these principles and in full consideration of the interests of the aviation community in Charleston.

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
June 6, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: You will recall my having contacted you some time ago and again recently, when you suggested that I write you this letter concerning consideration by your subcommittee of the provision of funds in the 1963 budget to allow the resumption of operation of the Federal Aviation Agency's General Aviation District Safety Office at the Kanawha County Airport in Charleston, W. Va., which was discontinued as of March 1, 1962. Federal Aviation Agency officials, including the Administrator, have refused to recognize the factors which dictate the existence of this office in West Virginia outlined below.

Since 1957, the FAA has maintained this facility in Charleston to provide airworthiness inspection services for aircraft based in West Virginia. At present there are approximately 600 privately owned airplanes operating in

West Virginia, serviced by the FAA. Because of its terrain, West Virginia's citizens are greatly dependent upon air transportation, and the number of aircraft owned and based in the State is on the increase. Approximately one-half of the some 600 airplanes licensed in West Virginia are located within 30 air minutes of the Kanawha Airport. Many of these are vital to the commercial interests of the State, as the principal manufacturing companies, more and more, are relying on company aircraft to provide the quick transportation so often needed. Further, many multiengine private craft not based in West Virginia use the Charleston airport on a regular basis. This area possessing the largest concentration of base chemical manufacture in the country, there is considerable traffic on the part of privately owned aircraft providing executive travel to and from the large plants situated there.

Only five other States now have no FAA district office, each of them possessing less than half of the area of West Virginia and, with one exception, less than half of West Virginia's population. Moreover, as an indication of the relative commercial activity, the value of West Virginia's manufactured products greatly exceeds that of the other five States, with one exception. The exception in both instances is the State of Connecticut, where all parts of the State have quick access to nearby large aviation centers and FAA services.

The Federal Aviation Agency has charged its Pittsburgh office with the provision of inspection services in West Virginia, but experience with this same arrangement in the past has demonstrated the inefficiency involved. Service rendered was found to be wholly inadequate and unsatisfactory, with aircraft frequently grounded for hours and days, awaiting inspection service by personnel sent from Pittsburgh.

I might mention further that the availability of this FAA service in the State of West Virginia could well prove to be a factor in inducing new enterprises to locate in this very depressed area. The State's economic posture demands the availability of every possible advantage to commercial activity, and the provision of this small service on the part of the Federal Government could contribute to an improved economy in the State.

Thanking you for your subcommittee's consideration of this item, I am,

Sincerely yours,

ROBERT C. BYRD.

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
March 12, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: When your subcommittee considers the 1963 budget for the Federal Aviation Agency, I would appreciate consideration being given to the addition of funds to provide for the continued operation of the FAA General Aviation District Safety Office which has been operated for some years at the Kanawha County Airport in Charleston, W. Va., and which has been discontinued as of March 1, 1962. Federal Aviation Agency officials, citing reasons of economy and efficiency, have adamantly refused to recognize the factors which dictate the continuance of this office in West Virginia—outlined below.

Since 1957, the FAA has maintained this facility in Charleston to provide airworthiness inspection services for aircraft based in West Virginia. At present there are approximately 600 privately owned airplanes operating in West Virginia, serviced by the FAA. Because of its terrain, West Virginians are greatly dependent upon air transportation, and the number of aircraft owned and based in the State is on the increase. Approximately one-half of the some 600 airplanes licensed in West Virginia are located within 30 air minutes of Kanawha Airport. Many of these are vital to the commercial interests of the State, as the principal manufacturing companies, more and more, are relying on company aircraft to provide the quick transportation so often needed. Further, many multiengine private craft not based in West Virginia use the Charleston airport on a regular basis. This area possessing the largest concentration of base chemical manufacture in the country, there is considerable traffic on the part of privately owned aircraft providing executive travel to and from the large plants situated here.

Only five other States now have no FAA district office—each of them possessing less than half of the area of West Virginia and, with one exception, less than half

of West Virginia's population. Moreover, as an indication of the relative commercial activity, the value of West Virginia's manufactured products greatly exceeds that of the other five States, with one exception. The exception in both instances is the State of Connecticut, where all parts of the State have quick access to nearby large aviation centers and FAA services.

The Federal Aviation Agency has charged its Pittsburgh office with the provision of inspection services in West Virginia, but experience with this same arrangement in the past has demonstrated the inefficiency involved. Service rendered was found to be wholly inadequate and unsatisfactory, with aircraft frequently grounded for hours and days, awaiting inspection service by personnel sent from Pittsburgh.

I might mention further that the availability of this FAA service in the State of West Virginia could well prove to be a factor in the inducing of new enterprises to locate in this economically depressed area. The State's economic posture demands the availability of every possible advantage to commercial activity, and the continued provision of this small service on the part of the Federal Government could contribute to an improved economy in the State.

Thanking you for your subcommittee's consideration of this item, I am,

Sincerely yours,

ROBERT C. BYRD.

OPERATIONS AT KANAWHA COUNTY AIRPORT, W. VA.

Mr. HALABY. Yes, sir.

Senator MAGNUSON. You know the story on West Virginia?

It is the general aviation district safety office at Kanawha County Airport, Charleston. Who knows about that? That is the resumption of operations?

Mr. HALABY. Yes, sir. We have, as you know, been consolidating not only——

Senator MAGNUSON. Well, I think it is best to leave this off the record. This is a special thing.

Mr. HALABY. All right, sir.

Senator MAGNUSON. Are there any further questions?

Mr. HALABY. On the supersonic transport?

Senator MAGNUSON. Well, on the whole business here. We are now at the end of the list.

Any further questions of the Agency? (No response.)

If not, we thank you very much.

Mr. HALABY. Can I——

Senator MAGNUSON. Oh, excuse me.

Mr. HALABY. If I could have literally 1 minute——

Senator MAGNUSON. All right, go ahead.

RECAPITULATION OF FUNDS REQUESTS

Mr. HALABY. We have gone so fast and so high here that I do want to come back to what is our real meat and bread and butter operation here.

Of the operations increase, $20 million is for funding for a full year the program that you gave us last year and $5.5 million of operations is for the new DOD military flight inspection. There is $32 million for facilities and services available and needed. This is the hard core.

Regarding the $15 million for R. & D., we feel, is just the wrong time to tighten us here as we are just, I think, getting going good under new management.

Senator HOLLAND. The first two items have to do with your safety——

Mr. HALABY. Yes, sir.

Senator HOLLAND (continuing). And flight direction facilities?

LEASING OF AIRCRAFT

Mr. HALABY. Yes, sir. There was quite a bit of discussion of leasing an aircraft. I wanted to give one example.

If you did write in a limitation on our leasing of aircraft, Senator Allott, it would have this effect.

Last year there was a DC–8 for approximately $7 million in the program. I knocked it out because I felt we could lease DC–8 time to better advantage.

Now, there was a choice of leasing some DC–8 time or buying $7 million worth of airplanes.

I hope we can keep that flexibility and, finally, I want you all to know that we are not deterring from our primary job, which is the airways' safety by this kind of project.

That is a new project. It is set out as such, but our prime job is to keep at this airspace problem.

Senator MAGNUSON. All right.

We thank you all very much.

Mr. HALABY. Thank you.

(Subsequently the subcommittee received the letter set forth below from Lt. Gen. Harold W. Grant, Acting Administrator, dated August 14, 1962, requesting a further language amendment:)

FEDERAL AVIATION AGENCY,
Washington, D.C., August 14, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.

DEAR MR. MAGNUSON: You are requested to amend the Federal Aviation Agency portion of the independent offices appropriations bill for the fiscal year 1963 by inserting after the end of line 11, page 14, the following language:

"Leases and concession agreements covering buildings and properties at Washington National Airport and Dulles International Airport may be entered into without regard to the provisions of section 321 of the Economy Act of June 30, 1932, as amended (40 U.S.C. 303b), unless otherwise deemed appropriate by the Administrator."

The need for this language generates from a decision of the Comptroller General, No. B–125035, dated February 1, 1962. The cited decision is based on an interpretation of title 40, United States Code, section 303b, which reads as follows:

"Except as otherwise specifically provided by law, the leasing of buildings and proprties of the United States shall be for a money consideration only, *and there shall not be included in the lease any provision for the alteration, repair, or improvement of such buildings or properties as a part of the consideration for the rental to be paid for the use and occupation of the same.* The moneys derived from such rentals shall be deposited and entered into the Treasury as miscellaneous receipts." [Italic supplied.]

The Comptroller General's decision was rendered to the Secretary of the Interior and held that concession agreements of the Department of the Interior are leases within the meaning of the code, which prohibits the inclusion in Government leases of any provision for the alteration, repair, or improvement of Federal property.

The decision has a far-reaching effect on operations at the two Washington airports. Throughout the 20 years of operations at the Washington National Airport the Agency has entered into a number of leases and concession agree-

ments which call for substantial investment by the tenants and concessionaires in improvements, alterations, and repairs to the airport property which they occupy. The same arrangements are used at the new airport. Rates, fees, and charges at the airports are established on the basis of contribution, in varying degrees, of alteration, repair, and improvement by tenants and concessionaires. If these provisions are held to be improper, FAA would require substantially increased appropriations. It is also possible that the tenants and concessionaires would gain a substantial windfall in the form of relief from obligation for repair, alteration, and improvement.

The Office of the General Counsel of the FAA has rendered an opinion that this language would not be subject to "point of order" objection. A copy of this opinion is enclosed for your information.

Your favorable consideration of including this language in the Federal Aviation Agency's general provisions of the Independent Offices Appropriation Act is requested, as it is in the public interest. The Bureau of the Budget has recently approved our requesting this language change.

Sincerely,

HAROLD W. GRANT,
Lieutenant General, U.S. Air Force, Acting Administrator.

MEMORANDUM

JUNE 25, 1962.

Subject: Proposed amendment to the General Appropriation Act for Washington National Airport and Dulles International Airport.
From: Associate General Counsel, General Legal Services GC–10.
To: Director, Office of Budget, BU–1.

Reference is made to your request of this Office for an opinion as to whether or not an amendment to the subject cited General Appropriation Act which, in essence, would require the Administrator to enter into leasing or concession agreements without regard to the provisions of section 321 of the Economy Act of June 30, 1932, as amended, unless he deemed otherwise appropriate, would be subject to "point of order" objection in the House and the Senate.

The language proposed for inclusion as an amendment to the Appropriation Act is as follows:

"Leases and concession agreements covering the buildings and properties at Washington National Airport and Dulles International Airport shall be entered into without regard to the provisions of section 321 of the Economy Act of June 30, 1932, as amended (40 U.S.C. 303b) unless otherwise deemed appropriate by the Administrator."

It is our opinion that an amendment so cast is not subject to a "point of order" objection by either the House or the Senate. House Rule 21, section 2, forbids in any general appropriation bill a provision changing existing law or a provision proposing to construe existing law (see Jefferson's manual and Rules of the House of Representatives, 87th Cong., H. Doc. No. 459, pp. 432, et. seq.). Although the referenced House rule forbids in any general appropriation bill a provision changing existing law, the House practice has established the principle that "certain limitations" may be admitted (see Jefferson's cited, supra). Senate Rule 16 is similar to the recited House rule in import (see Senate manual containing standing rules, orders, laws, and resolutions affecting the business of the U.S. Senate, 84th Cong., 1st sess., S. Doc. No. 9, p. 22, et seq.).

The suggested amendatory language is in the nature of a "limitation" and does not purport to either change or construe existing law. The acts of June 29, 1940, and September 7, 1950, as amended, respectively, authorize the expenditure of appropriations for the construction of the airport. This authorization would permit the Administrator to expend appropriated funds for the construction, maintenance, and provision of facilities at the respective airports. The proposed amendment to the General Appropriation Act would, in effect, limit the availability of funds appropriated to the Administrator to do so in that it would require him, unless he otherwise deemed it appropriate, to accept consideration other than money, viz: the construction or providing of facilities and maintenance at the airport from lessees or concessionaires. It is, in effect, a limitation on his use of appropriations under the General Appropriation Act and does not interpret or alter his authority under the Second Washington Airport Act, the act of June 29, 1940, as amended (WNA Act) or section 321 of the Economy Act.

ROBERT P. BOYLE.

VETERANS' ADMINISTRATION

STATEMENT OF J. S. GLEASON, JR., ADMINISTRATOR; ACCOMPANIED BY W. J. DRIVER, DEPUTY ADMINISTRATOR; A. H. MONK, ASSOCIATE DEPUTY ADMINISTRATOR; C. F. BRICKFIELD, GENERAL COUNSEL; J. M. HANSMAN, CONTROLLER; AND J. D. SHYTLE, DIRECTOR, BUDGET SERVICE

PREPARED STATEMENT

Senator MAGNUSON. The committee will come to order, and we are putting the Veterans' Administration in between some of the scheduled agencies because the general has to go to a very important meeting next week which, I understand, I was invited to myself, but I cannot go.

My post made me the chairman of the legislative committee. I do not know why, exactly, but I hope he will pay my regrets to the VA.

General GLEASON. I certainly will, Mr. Chairman.

Senator MAGNUSON. Well, now, you have a short statement, and we will put the statement you have in the record in full.

General GLEASON. All right, sir.

(The statement referred to follows:)

Mr. Chairman and members of the committee, as always I and the members of my staff appreciate this opportunity to appear before you to present the program of the Veterans' Administration and explain its budgetary requirements. As stated in our letter of August 1 to the chairman, we accept the action of the House of Representatives on our appropriation request. However, we will be pleased to discuss with you any or all of our budgetary requirements and will endeavor to answer any questions you may have.

I have a statement which highlights our operations and estimates for fiscal year 1963. I will be happy to read it or offer it for insertion into the record, as you desire. This statement and the justification of our estimates which we have previously furnished you contains rather complete details.

Mr. Chairman and gentlemen of the committee, thank you for the opportunity to discuss with you today our fiscal year 1963 appropriation requirements. We deeply appreciate the continued interest of this Committee on Appropriations and the assistance we have received from you in caring for our Nation's veterans and their dependents.

The House of Representatives approved our total fiscal year 1963 request of $5,248,833,000 without change. We are gratified by that expression of confidence and support of the mission of service to the American veterans entrusted to us

by the Congress. A revised statement comparing fiscal year 1962 appropriations with our fiscal year 1963 request is as follows:

Appropriation	Appropriated, fiscal year 1962 [1]	Estimate, fiscal year 1963	Decrease (−) or increase (+)
General operating expenses	$161,773,000	$157,669,000	−$4,104,000
Medical administration and miscellaneous operating expenses	43,876,500	13,772,000	−30,104,500
Medical and prosthetic research		28,000,000	+28,000,000
Medical care	989,371,000	1,017,892,000	+28,521,000
Construction of hospital and domiciliary facilities	76,250,000	75,500,000	−750,000
Compensation and pensions	3,500,000,000	3,832,000,000	+332,000,000
Readjustment benefits	135,000,000	91,500,000	−43,500,000
Veterans insurance and indemnities	39,200,000	32,000,000	−7,200,000
Grants to Republic of the Philippines	1,000,000	500,000	−500,000
Total	4,946,470,500	5,248,833,000	+302,362,500

[1] Includes the following 1962 supplementals:

Medical care	$2,200,000
Readjustment benefits	55,000,000
Total	57,200,000

The amount approved by the House of $5,248,833,000 represents an increase over fiscal year 1962 appropriations (including supplementals) of $302,362,500. This increase in appropriated funds between the 2 years is attributable primarily to the fact that we entered fiscal year 1962 with an unusually large unobligated balance in the "Compensation and pensions" and "Readjustment benefits" appropriations of $227.6 million, thus reducing our needs in fiscal year 1962 for new appropriations by that amount.

GENERAL OPERATING EXPENSES

We are requesting $157,669,000 under this appropriation heading which finances the activities of staff services, including my immediate office, and the Departments of Insurance and Veterans Benefits.

This request is $4,104,000 less than the $161,773,000 Congress appropriated for these activities in fiscal year 1962 and is $6,681,000 below the fiscal year 1961 level. A substantial portion of our decreasing requirements in this appropriation is attributable to declining overall workloads as some of the veterans benefits programs, such as vocational rehabilitation and education, phase out. However, there also has been and is a constant, diligent effort on our part to provide improved service at a lesser cost.

Under this title we asked the Congress for a representation allowance for my office of $1,000, which was not approved by the House. I do not wish to specifically appeal this item, although in my judgment the need for such an allowance does exist. This need has been recognized by the administration which authorized the inclusion of this request in the budgets of practically all major agencies.

STAFF SERVICES

The fiscal year 1963 estimate exceeds fiscal year 1962 estimates by 38 average employment. All of this net increase in average employment is for the Board of Veterans Appeals. By reason of enactment of Public Law 87-97, the Board is now required to separately state findings of fact and conclusions of law in every decision. This has resulted in a considerable increase in professional time required to write decisions and an increase in the length of decisions which requires more transcribing personnel. The increase of 38 personnel will enable us to handle this extra workload.

DEPARTMENT OF VETERANS BENEFITS

The Department of Veterans Benefits will require $118,501,000—an amount $4.2 million below the fiscal year 1962 level. Improved efficiency of operations, organizational and functional changes, decline in vocational rehabilitation activities, and the closing of one-man contact offices, have made possible this substantial reduction of costs.

Vocational rehabilitation and education will continue to decline, with an estimated decrease of 46,000 average Korean veteran trainees in fiscal year 1963. The estimated average personnel reduction in this progrm from fiscal year year 1962 to fiscal year 1963 is 158.

Our fiscal year 1963 projection for the loan guarantee program provides for an increase over fiscal year 1962 of 97 average employment and $936,000. Most of this increase is planned in our property management activity, which at this time has an extremely heavy workload. Operational responsibilities to date have represented an initial contingent liability on the part of the Government of over $28.4 billion on loans guaranteed or insured aggregating almost $53 billion, a mortgage loan portfolio with an asset value of $1.8 billion, and property holdings having a value in excess of $160 million. These figures are cited to emphasize the importance of the effective management of this program through a strong, properly staffed, well-trained property management function.

We estimate that the direct loan activity of this program will be maintained at the approximate level of 25,000 loans.

We also envision that our chief attorney program will be maintained at approximately the current employment levels, even though workloads continue to increase.

We estimate our compensation and pension employment will decrease by an average of 68 employees in fiscal year 1963. At present we are giving particular attention to the quality of adjudicative actions to assure fair treatment to the veteran, as well as to protect the interest of the Government. A management program of statistical quality control has been installed for the purpose of assuring that our field offices maintain a high degree of review uniformity and high quality of adjudicative actions.

We are making substantial gains in the effectiveness of our office services. The average employment level in fiscal year 1963 is expected to decrease 146 from fiscal year 1962.

DEPARTMENT OF INSURANCE

I am particularly impressed with the progress we have made in recent months in the Department of Insurance. Our estimated average employment in fiscal year 1963 is down 196 from fiscal year 1962 levels. Progress has been made in all operational areas. Employee productivity is increasing, systems continue to improve, and our automatic data processing system is beginning to pay dividends. I sincerely believe that our insurance operation is an excellent example for the entire industry and more progress can be expected in the future in this area. Our total fund requirements in this area have been reduced $359,000.

AUTOMATIC DATA PROCESSING

One of the major factors contributing to our increased efficiency in our operations is in the area of automatic data processing. We have made significant gains in this field in both the Department of Veterans Benefits and in the Department of Insurance. By September all of our regional offices will be converted to automatic data processing in the area of compensation and pension payments at our Hines Computer Center. At this center we have recently installed a fully transistorized automatic data processing system with greatly improved speed and capacity so that other functions now can be programed into this system.

The Department of Insurance likewise has converted to a similar system at the Philadelphia Insurance Center and further substantial gains in efficiency can be expected. The Department of Insurance fiscal year 1963 budget provides for an average employment of 3,311, which is 2,135 less than the employment required in fiscal year 1957. This is a striking reduction, when you consider that workloads have remained relatively constant. Automatic data processing will continue to figure prominently in most of Veterans' Administration activities in the future.

The purchase price of an automatic data processing system such as that now in use at our Hines and Philadelphia Centers is a little over $2 million for each system. The net rental savings per year from purchase versus lease is approximately three-fourths of a million dollars for each system. Therefore, the purchase price can be amortized in approximately 3 years. Based on this substantial savings to the Government by purchase, I ordered the curtailment of all possible expenditures early in fiscal year 1962 in an attempt to accumulate funds necessary to purchase the Hines computer system. I am most happy to report that our

efforts were successful. It is my intention to purchase the second computer system at Philadelphia as soon as possible. As the result of these two purchases, I can assure you that the taxpayers will save approximately $1½ million per year after fiscal year 1963.

We also are exploring the potential advantages of automatic data processing applications to our medical care operations. Naturally, we shall move most cautiously in this area, but I am convinced that in time substantial improvement in our research and medical care processes will be possible.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

An increase of $395,500 and 26 average employment are requested in fiscal year 1963 over fiscal year 1962 estimated levels. These increases are necessary to render both staff and operational support to our growing medical care programs.

The 26 average employment increase is needed in Medical Administration. This increase is essential to enable us to strengthen our long-range planning effort for determining hospital construction, equipment, and staff requirements, and to exploit to the maximum improvement in medical and administrative practices in the system. The total administrative staff which is responsible for overall direction of the medical program represents an overhead of but seven-tenths of 1 percent.

The employment level of the office of the Assistant Administrator for Construction is estimated to remain at current levels for fiscal year 1963. Funding requirements are up $5,000 to cover increased salary and travel costs.

Included also is an increase of $125,000 in fiscal year 1963 for education and training of the professional and technical staffs of our hospitals and clinics. The rapid advancement of new concepts and treatment techniques in the medical field make it essential that our training efforts maintain pace with the expansion of our medical care staffs.

MEDICAL AND PROSTHETIC RESEARCH

Our request is for $28 million for this purpose in fiscal year 1963. One million dollars of this is for our prosthetic research activities and $27 million for the medical research program. Our research program is vital to the medical mission of the Veterans' Administration. It is responsive to our clinical needs. It also helps attract exceptionally well qualified professional personnel to our patient care staff. It results in the development of greater knowledge of medical ills and the treatment thereof. It not only improves the quality of care for our veterans but also contributes in full measure to medical knowledge and care for all.

MEDICAL CARE

The House approved our total request under this title of $1,017,892,000 for fiscal year 1963. This represents an increase over the fiscal year 1962 annual appropriation of $30,721,000. This appropriation finances both our "inpatient" and "outpatient" activities. This requested appropriation will enable us to:

(*a*) continue to improve the quality of medical care provided increased numbers of patients in both our hospitals and clinics;

(*b*) reduce substantially the equipment replacement backlog which has developed over the past years in our hospitals and clinics;

(*c*) provide for an increased usage of drugs and medicine in the treatment of patients;

(*d*) provide for the increase experienced in average salary costs; and

(*e*) provide for the increased per diem rate in contract hospitals.

The amount of funds requested for these activities in itself is indicative of their scope and complexity. Costs related to medical care activities continue to increase and many of these are beyond administrative control. Just to stand still in our medical care programs requires an annual increase in dollars of almost $18 million ($7 million for average salary increases, $7,500,000 for wage rate increases, and $3,500,000 for increased utilization of drugs, medicines, and utility services). I expect this trend to continue.

However, I do not intend that we stand still in the field of medical care of our veterans. I am sure you agree that we must continue to improve the quality of our services and our 1963 request provides for what we consider a modest rate of improvement.

The staffing increases the Congress has approved for our hospitals during the past few years have enabled us to care for increasing numbers of patients each year with approximately the same number of beds. It is through further increasing of patient turnover by reduction of length of stay that we hope to contain the increased demand in future years within the presently authorized 125,000-bed hospital system.

Indicative that our efforts in this area have borne fruit is the fact that we have treated on an inpatient basis from 24,000 to 30,000 more veterans in each of the last 2 years. We will try to continue this improvement but cannot expect it to increase that much each year indefinitely. Concurrent with the improvement in patient turnover rates has occurred a leveling off, and even some slight decrease, in the average daily patient load level. This is to be expected as each of our hospital beds is used by more patients during the year.

Our 1963 request envisions increasing average employment in our hospitals by over 900. Over half of this is for neuropsychiatric hospitals where we are faced with a growing problem of psychiatric patients who have developed medical and surgical disabilities which independently require hospitalization and are more demanding of staff than ambulatory psychiatric patients. To fully meet this problem we no doubt will need to ask your help in providing for further increases in staff in future years.

Of particular significance in this year's request is the provision for funding the backlog of equipment replacement needs that developed over the years in our hospitals and clinics. A study we made jointly with the Bureau of the Budget disclosed that at the end of fiscal year 1961 the backlog of equipment needing replacement amounted to over $22 million at current cost levels. We are asking an increase of $9 million in 1963 to apply against this backlog. I earnestly seek your support of the House action in approving our request for this purpose.

Within the funds recommended for medical care a total of $94,693,000 will be used in our outpatient care activities. This represents an increase over fiscal year 1962 of $1,439,000.

This increase will permit:

(*a*) the care and treatment of 27,400 more patient visits of veterans with service-connected disabilities in Veterans' Administration clinics. This will be partially offset by a 20,800 decline in fee visits;

(*b*) the opening of two new audiology clinics;

(*c*) the establishing of five new day care centers; and

(*d*) a reduction of the existing backlog of replacement equipment requirements in our clinics.

COMPENSATION AND PENSIONS

The House recommended our full request of $3,832 million for this appropriation for fiscal year 1963. Our request to the Congress for fiscal year 1963 proposed that the two appropriations, "Compensation and Pensions" and "Readjustment Benefits," be consolidated into a single appropriation titled "Veterans Direct Benefits." The House has expressed a preference that these activities continue as separate appropriations. It is my desire to comply with their preference in this matter.

COMPENSATION

The estimate for fiscal year 1963 represents a decrease from fiscal year 1962 operating levels of $15,973,000. We are estimating a caseload average of 2,356,930 for fiscal year 1963, which represents a decrease of some 15,600 cases over fiscal year 1962. This downward trend in service-connected compensation cases is expected to continue, due primarily to the death of veterans now on the rolls. In addition, there is proposed for later transmission an estimate of $64,400,000, to cover a projected rate increase for our more seriously disabled veterans.

PENSION

Our pension rolls are expected to continue to increase, due to the advancing age of the veteran population. These rolls are expected to increase to an average of 2,011,411 for fiscal year 1963, which represents an addition to the rolls of 139,000 cases over fiscal year 1962. This estimate for fiscal year 1963 represents an increase of $135 million over fiscal year 1962, excluding the original proposed supplemental for fiscal year 1962.

BURIAL ALLOWANCES

The estimate for fiscal year 1963 of $47,190,000 provides for 179,800 burial awards, 5,500 more awards than that estimated for fiscal year 1962. The cost, of course, can be expected to increase with the advancing age of our veteran population.

OTHER MISCELLANEOUS BENEFITS

Included in this category are retired officers (emergency officers' retirement), adjusted service and dependents' pay, special allowances—dependents, subsistence allowance, and invalid lifts. Our estimate of funds required for these benefits in fiscal year 1963 is $7,831,000. With the exception of invalid lifts and special allowance—dependents, the trends in cost and caseload are downward.

READJUSTMENT BENEFITS

The House has recommended our total request of $91,500,000 under this title, which represents a decrease from the fiscal year 1962 amount available of $58 million. Substantially all of this decrease is attributable to a continuing decline in our education and training program.

The Korean conflict education and training load is projected at 52,000 for fiscal year 1963, which is 46,000 below the estimated fiscal year 1962 level. The war orphan load is expected to continue to increase. The fiscal year 1963 estimate provides for a training load of 15,000, an increase of 2,000 over the estimated fiscal year 1962 level.

Special assistance to disabled veterans, which includes (*a*) vocational rehabilitation, (*b*) housing grants for disabled veterans, and (*c*) automobiles for disabled veterans, is estimated to cost $7,425,000 in fiscal year 1963. This represents a decrease from fiscal year 1962 of $1,230,000.

LOAN GUARANTEE REVOLVING FUND

Because of the uncontrollable factors involved in this area, our initial request proposed funding of these activities on a permanent indefinite basis. A revised estimate of expenditures was provided the Congress in the amount of $220,545,000. House Resolution 12711 establishes our revised estimates as a limitation.

I do not disagree with the desire of the House to continue the requirement of annual review by the Congress of the operational level of this fund.

However, I do wish to alert you to the possibility we may need to come back to the Congress later in the year for an incerase in the limitation amount which is based on an estimate involving many complex and uncontrollable considerations.

During the past 3 years, the number of serious defaults on guaranteed loans and claims paid have doubled, as have properties acquired. As a result, our average monthly expenditure rate has increased from $10 million to $25 million. Should this trend continue or even level off at the current rate, the limitation amount of $220,545,000 will be insufficient to carry us through all of fiscal year 1963. However, there has developed during the past few months a trend that we hope portends some improvement in this area. Recently, the number of new defaults reported has turned slightly downward. I am hopeful this is an indication of a reversal of what has been a steady upward trend for some time.

The financing of the loan guarantee revolving fund during fiscal year 1963 is predicated upon our ability to sell to private investors a substantial portion of our Veterans' Administration-owned mortgage portfolio. To date, we have made two offerings—one of approximately $100 million and the second of approximately $188 million. Of the first offering of $100 million, we were able to sell approximately $38 million of mortgage loans. We do not yet have the final figures on the results of our second offering. If we are unable to effect the sale of the amount of our mortgages, on terms advantageous to the Government, required to fund our loan guarantee revolving fund operation, we also will have to request a supplemental appropriation later in the year.

CONSTRUCTION

The House approved our fiscal year 1963 request of $75,500,000 under this title with some qualifications. I am sure you share my agreement with the desires of the House to update our hospital system at minimum cost without sacrifice of operational efficiency.

With the funds we have asked for this purpose, we will achieve further progress in modernization of our pre-World War II hospital facilities, plus some immediately necessary work at our other facilities for research and other necessary purposes.

Major projects that we propose to accomplish within the funds we are requesting under this heading are:

(*a*) Construction funds for replacement hospitals at Atlanta, Ga.; Memphis, Tenn.; and Miami, Fla.;

(*b*) Technical services for a replacement hospital at Temple, Tex.;

(*c*) Technical services for a new hospital at Gainesville, Fla., which will be affiliated with the University of Florida's Medical School; and

(*d*) The continuation of our scheduled modernization of our neuropsychiatric hospital at Downey, Ill.

The House has directed that none of these funds be used for fallout shelter construction in our hospital projects. The deletion of fallout protection funds is not in accordance with the policy of the President which calls for the Federal Government to take the lead in demonstrating the importance of adequate protection policy for our civilian population in these times of international crises.

Gentlemen, this concludes my formal summary to you of the highlights of our request and the House action on them. The details of our request have been set forth in the budget justification previously submitted to you. In this statement, I have limited myself to what I considered the highlights of our request and the House action thereon. I and my staff will be happy to provide any additional information you need to pass judgment on our request to you.

Thank you for this opportunity to discuss our problems and needs with you.

GENERAL STATEMENT

Senator MAGNUSON. And then, with the understanding that next week, if the committee has any further questions on this portion of it we will call some of your people back and then we will put the medical part of it off in a separate category until next week—we will proceed.

General GLEASON. All right.

Mr. Chairman, I certainly appreciate your kindness in doing this for me because, as you know, I am on active duty for about 15 days at Fort Leonard, Mo., and I flew in today so that I could appear before you. I just want to say that we accept, in its entirety, the House report.

Senator MAGNUSON. Well, now, let's get the record straight here.

HOUSE ACTION

I am going to read from the House report, and I quote:

The committee has approved $5,248,833,000 for the Veterans' Administration as proposed in the budget estimates.

This includes $157,669,000 for general operating expenses, a reduction of $4,104,000 from the amount appropriated for 1962.

Now, that is the item, I understand, that you are not asking for a restoration on that particular amount?

General GLEASON. No, sir.

GENERAL OPERATING EXPENSES

Senator MAGNUSON. So that your general operating expenses out of the $5 billion-plus will remain at $157,669,000?

General GLEASON. Yes, sir, that is correct.

Senator MAGNUSON. Yes. Now, the medical matter we will go back into later. Now, that is about it. If we put this statement into the record that is about all you have to put in?

General GLEASON. That is correct, sir.

MEDICAL SERVICES

Senator MAGNUSON. The rest involves the medical matter, outpatient and inpatient, and all of that?

General GLEASON. Yes.

Senator MAGNUSON. All right. Well, I guess there is nothing further. Maybe you did not even need to fly in.

General GLEASON. Well, it is always nice to have the opportunity to come before the committee, anyway, Mr. Chairman.

Senator MAGNUSON. Now, is there any particular item in this operating expenses that you wanted us to look at? Anything particular?

General GLEASON. No, sir.

FIXED OBLIGATIONS OF AGENCY

Senator MAGNUSON. Now, the difference between the $5 billion-plus and $157,669,000, I assume, was mainly for a certain amount of fixed obligations that the Veterans' Administration has. Is that correct?

General GLEASON. That is correct.

LEGISLATIVE INCREASE IN FIXED CHARGES

Senator MAGNUSON. Now, is there any veterans' bills pending or on the verge of being passed, and I am an optimist in this Congress, that would add any to your responsibility in the field of fixed charges?

General GLEASON. Yes, sir. If the increase in compensation is passed, that——

Senator MAGNUSON. Is that the increase in the disabled compensation?

General GLEASON. Yes, sir.

Senator MAGNUSON. Now, that is apt to be passed——

General GLEASON. Yes, sir.

Senator MAGNUSON. Because the policy committee, of which I am a member, in that committee we agreed to put it on the calendar yesterday.

General GLEASON. Yes, sir.

Senator MAGNUSON. So that will come out, but I suppose that you could take care of that and you would have to come in with the first supplemental.

General GLEASON. That is correct.

Senator MAGNUSON. Would that be correct?

General GLEASON. That is correct.

Senator MAGNUSON. Now, is there any other legislation?

General GLEASON. None other than the $250,000 that we have already mentioned in our statement, Mr. Chairman.

And this in order to carry on our——

Senator MAGNUSON. Would a bill which would increase the availability of VA life insurance make any changes——

General GLEASON. No, sir, not at all.

Senator MAGNUSON. In this budget?

General GLEASON. No, sir.

HOUSE ALLOWANCE FOR INSURANCE AND INDEMNITIES

Senator MAGNUSON. The House bill contains $32 million for veterans' insurance and indemnities, a reduction of $7.2 million from 1962, and $500,000 for grants for the Republic of the Philippines.

General GLEASON. Yes, sir.

Senator MAGNUSON. Now, apparently, from this and from your statements, the VA insurance is in pretty sound physical shape?

General GLEASON. Very excellent.

Senator MAGNUSON. Do you still pay dividends?

General GLEASON. Every year, sir. Of course, this is a misnomer because this is actually a return of an overcharge of premium. That is what it is, exactly.

Senator MAGNUSON. That is right. We get a return because you fellows overcharged us, and we apply it, if we want to, to the same premium.

General GLEASON. Yes, sir.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

MEDICAL EXPENSES, PHILIPPINES

Senator MAGNUSON. Now, we have had a lot of trouble up here, and there has been a lot of trouble on the floor about this Philippine business.

There is another bill up there which the policy committee has passed out which would extend hospitalization care for another 3 years.

Is that right, Doctor?

Dr. MIDDLETON. Yes, sir.

Senator MAGNUSON. Would that add to any——

Dr. MIDDLETON. We have not reported favorably on that.

Senator MAGNUSON. Well, what is the $500,000?

What is that for?

Mr. MONK. That is to pay the bills for the veterans who are hospitalized in that Philippine hospital.

That is the hospital we built and gave to the Philippine Government.

Senator MAGNUSON. And the bill that we have pending applies to admission to that particular hospital?

Mr. MONK. Yes, sir, payment, continuation of payment.

Senator MAGNUSON. We are extending it. It expires——

Mr. MONK. For 3 years, that is right.

Senator MAGNUSON. It expires next year, and the proposal is to extend it. Well, one has five and one has three——

Mr. MONK. Three years.

Senator MAGNUSON. And that involves this particular hospital?

Mr. MONK. That is right.

Senator MAGNUSON. And these are for Philippine veterans that served with us?

Mr. MONK. Yes, sir.

POSSIBLE ADVANCE FOR INSURANCE ADMINISTRATION

Senator, on that insurance bill, the bill, as it is written, would have the policyholder pay the administrative expense, but if it is enacted we might have to come to get an advance temporarily for the initial administrative cost.

General GLEASON. But we will pay it back. That is the only difference.

Senator MAGNUSON. All right.

Any questions from the committee on this?

Senator SALTONSTALL. Yes, I have some.

Senator HOLLAND. I have some questions.

Senator MAGNUSON. The Senator from Massachusetts.

General GLEASON. Yes, sir?

VETERANS HOSPITAL, MASSACHUSETTS

Senator SALTONSTALL. General Gleason, I know you have been advised on this. We have some questions regarding the veterans hospital in Jamaica Plain, Mass.

General GLEASON. Yes, sir?

Senator SALTONSTALL. Now, there have been a number of newspaper articles about this, and there are two types of questions that I would like to ask you.

Senator MAGNUSON. Can I interrupt you there?

Senator SALTONSTALL. Yes, sir.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

NUMBER OF OPERATING BEDS

Senator SALTONSTALL. Now, just very briefly, General, it is my understanding that you show that the average number of operating beds is 920, whereas the average patient load for each year is approximately 100 less.

General GLEASON. I would imagine that it would be. Dr. Middleton?

Senator SALTONSTALL. So you are not fully utilizing——

Dr. MIDDLETON. We are utilizing about 90 percent, sir, which is a fair utilization.

CONDITION OF BUILDING

Senator SALTONSTALL. Now, the principal question that I would like to ask is this: It is my understanding that they have part of this hospital all roped off because the bricks are falling out.

General GLEASON. Yes, sir, that is correct.

Senator SALTONSTALL. The hospital was built in 1952?

General GLEASON. That is right.

ORIGINAL COST

Senator SALTONSTALL. What was the original cost of the hospital?

General GLEASON. The original cost of the hospital—I cannot give it to you right now, but I could, for the record, Senator. It is a

14-story and basement building, reinforced concrete frame and brick facing. The cost of the Boston hospital was $14,275,000 including site, technical services, and equipment.

Senator SALTONSTALL. I have been in it. I know.

SERIOUSNESS OF DETERIORATION

General GLEASON. In 1953 the exterior face of brick began cracking and chipping, and the Corps of Engineers, who built the hospital for us, investigated the problem and emergency repairs were made.

Now, despite these and other continuing repairs, the deterioration has progressed until now it has become dangerous.

Bricks are falling from the outside and dropping to the ground, and there is a very serious hazard of life and property.

The metal windows likewise do not fit properly and they leak air and water and are poorly anchored.

CORPS OF ENGINEERS STUDY

In 1961 we authorized the Corps of Engineers to make a complete investigation of this defective brickwork with the primary objective of determining, first, the reasons for the condition; second, the responsibility of those involved; and, third, how the defects can be permanently corrected.

Weiskopf & Pickworth, consulting engineers of New York City, were employed by the Corps of Engineers to make this investigation.

Senator SALTONSTALL. How much did you pay for that?

General GLEASON. I believe it ran approximately $25,000.

The consultant's report indicates many omissions and departures from the original contract drawings and specifications by the contractor. They recommend removal of all face brick and replacement with an insulated metal curtain wall type of construction as the only practical method of correction.

They have also recommended that all windows be removed and replaced, as they are basically unsatisfactory and require excessive maintenance and cannot successfully be repaired. The total estimated cost of these corrections is $4.4 million, including technical services and contingencies.

METHOD OF FINANCING WORK

Now, we plan to finance this work within our fiscal year 1963 construction appropriation, using funds requested for projects which have subsequently been reduced in scope. Supervision of this work is being assigned to the Corps of Engineers at their request so that they may accumulate information to document and, subsequently, take action against the contractor and architect and engineer for faulty construction and faulty construction supervision.

Senator SALTONSTALL. All right. Now, my question is: Is it the responsibility of the Veterans' Administration or the Corps of Engineers to bring a suit for the Government?

General GLEASON. Well, we believe, Senator, that it will be the Corps of Engineers who will do it because they built it for us on a contract basis, and they are the ones who let the contract.

And they are as desirous as we are of correcting it.

COST OF RECONSTRUCTION

Senator SALTONSTALL. It is going to cost $4.4 million to put it back in shape?

General GLEASON. That is correct.

Senator SALTONSTALL. And the building is only 10 years old?

General GLEASON. That is correct. Right.

Senator SALTONSTALL. It is my understanding, from newspaper reports and, as I say, the letters I get criticizing it, that this building is today unsafe and that you cannot go in the front door.

Is that correct?

General GLEASON. That is correct. It is safe enough on the inside. It is the outside that is unsafe. If you are walking on the outside the bricks are liable to fall.

Senator SALTONSTALL. Well, now, it is a $4 million——

General GLEASON. Almost $4.5 million.

Senator SALTONSTALL (continuing). That is, to put a 10-year-old building back in shape?

POSSIBLE SUIT AGAINST CONTRACTOR

General GLEASON. I just feel confident myself, from a personal viewpoint, that there will be a suit instituted by the Government.

Senator SALTONSTALL. Now, who is the architect, do you know?

General GLEASON. The building was designed by Coolidge, Shepley, Bulfinch & Abbott, architects, and Charles T. Mane, Inc., engineers. And the construction was completed in 1952, by McClosky & Co., the general contractors.

Senator SALTONSTALL. So that there is a suit or, rather, the suit by the Government would lie against either the architect or the contractor or both?

General GLEASON. The liability would have to be determined. There are subcontractors also.

Senator SALTONSTALL. Let me ask you this additional question: Will you, as Administrator and being in charge of the Veterans' Administration, see to it that the Government is protected in this thing?

Is it your job or is it the job of the Corps of Engineers?

General GLEASON. We feel that it is the job of the Corps of Engineers, Senator, because they are the ones who built the building.

Senator SALTONSTALL. Have you got anything in writing to show that they will take that responsibility?

General GLEASON. Yes, sir.

Senator SALTONSTALL. Would you be willing to put that in the record?

General GLEASON. Surely.

Senator SALTONSTALL. All right. Thank you very much.

(The information referred to follows:)

HEADQUARTERS, DEPARTMENT OF THE ARMY,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, D.C., June 1, 1962.

Mr. WHITNEY ASHBRIDGE,
Assistant Administrator for Construction,
Veterans' Administration, Washington, D.C.

DEAR MR. ASHBRIDGE: Pursuant to your requests of February 2, 1961, and June 19, 1961, the Corps of Engineers has investigated the defective construction of the brickwork and windows at the Veterans' Administration Hospital, Boston, Mass. This investigation was conducted under the jurisdiction of the Division Engineer, U.S. Army Engineer Division, New England, who employed the firm of Weiskopf & Pickworth, consulting engineers, of New York City, to perform onsite investigations and report its findings. These findings are contained in the enclosed documents titled "Final Report Investigation of Brickwork" and "Final Report, Investigation of Windows," both March 30, 1962.

The Chief of Engineers agrees with the conclusions and recommendations contained therein but considers the attached estimates more realistic than those prepared by the architect-engineer.

At a meeting in Mr. Hoglund's office May 22, 1962, between representatives of the Veterans' Administration and the Corps of Engineers, it was indicated that the Veterans' Administration might accomplish the corrective work through its own resources. However, it is believed that the Corps of Engineers, having supervised the original construction, should supervise the remedial work. This will permit us to obtain precise and detailed data of the actual condition of the brickwork. This detailed information is necessary to support legal actions that may be taken against the architect-engineer and/or the construction contractor to recover the costs of this corrective work.

We estimate that the preparation of detailed design for remedial work will require about 6 months and that that the construction time will be from 12 to 18 months. We would expect to accomplish design by contract through an architect-engineer firm other than the one, of course, which performed the original design. It is to be expected that some disruptions to the hospital activities will be encountered during construction. Until more precise data have been developed as a basis for design, we are not in a position to estimate the extent of these disruptions; however, we will make every effort to minimize them.

This letter has purposely avoided any discussion of possible legal action that may be in order against the architect-engineer and/or construction contractor. The development of information upon which to base such action is obviously time consuming. Therefore, we feel, and believe you concur, that the first order of business is to implement as quickly as possible the remedial measures needed to repair the deficiencies and place the hospital in a safe condition.

If any further data are needed on the technical aspects of this report, please feel free to call upon us.

Sincerely yours,

J. B. LAMPERT,
Major General, U.S. Army, Director of Military Construction.

General GLEASON. Mr. Chairman, this is quite an issue——

Senator MAGNUSON. Yes, I understand.

Senator SALTONSTALL. It is a shocking state of affairs where a 10-year-old building is falling down.

Senator HOLLAND. Mr. Chairman?

Senator MAGNUSON. Yes. The Senator from Florida?

NO RESTORATIONS REQUESTED

Senator HOLLAND. Looking at this worksheet here I note that there are no requests for restorations from the VA. Am I correct in that?

General GLEASON. That is correct.

Senator HOLLAND. And I understood you to say in the beginning that you approved and accepted the findings and recommendations of the committee from the other House.

General GLEASON. Yes, sir.

HOSPITAL AT BAY PINES, FLA.

Senator HOLLAND. I wanted to question you briefly about that part of the report which deals with the veterans' hospital at Bay Pines, Fla. You are familiar with that?

General GLEASON. Yes, sir; I am.

Senator HOLLAND. And the report of the committee there reads as follows:

The committee recommends that $1,722,000 previously appropriated for technical services for Bay Pines, Fla., remain earmarked looking toward new construction at that site if and when the Administrator deems it in the public interest to begin such construction.

Florida veteran population is growing rapidly and the probabilities are more hospital facilities will be needed shortly in that area.

The Veterans' Administration has received no contractor estimates on the 1963 projects and the costs ought to be reduced 10 to 12 percent and still provide good, functional facilities that observe sound, safe efficiency criteria and omit unnecessary frills and decorations.

Then it continues on down to the bottom of a long paragraph.

I ask that that be put in the record.

Senator MAGNUSON. That will be put in the record.

(The information referred to follows:)

Under no circumstances should local architects be permitted to build monuments to themselves. A portion of savings in such estimates is to be applied to the cost of technical services at Gainesville.

APPROVAL OF RECOMMENDATION

Senator HOLLAND. From what you have said I assume that you accept that recommendation?

General GLEASON. Yes, sir.

Senator HOLLAND. That is, the recommendation by the House committee.

EARMARKED FUNDS

You will keep this $1,722,000 heretofore appropriated for that work at Bay Pines or for the technical services, looking to the construction earmarked for that?

General GLEASON. Yes, sir.

Senator HOLLAND. Now, I note from your own testimony, which is very full, and I commend it and the testimony of your assistants, who were with you at the House hearing, Mr. Monk, is he here today?

Mr. MONK. Yes, sir.

Senator HOLLAND. There is also another gentleman's name here.

NEED FOR BEDS IN FLORIDA

In this you very fully set forth the facts with reference to the veterans' situation in Florida, and I know that you made this statement:

We are really in dire need of beds in the State of Florida.

It is the situation, is it not?

General GLEASON. It certainly is.

Senator HOLLAND. I know that you inserted in the record at the hearings this information, and I quote from page 279 of the House hearings:

> The latest information available indicates that of approximately 1,000 neuropsychiatric patients with Florida residency, 88.3 percent are hospitalized outside the State

and so forth and so on.

Is that still substantially the situation? Is that still substantially true?

General GLEASON. Yes, sir.

Senator HOLLAND. Then it is substantially 900 veteran patients from Florida that are hospitalized in distant points, some of them which are several hundred miles away from the State and even as much as a thousand.

General GLEASON. From their home.

Senator HOLLAND. I mean, away from their home.

And you also set forth a waiting list at Bay Pines.

Mr. Baker, I believe—is he here today?

Mr. BAKER. Here, sir.

WAITING LIST AT BAY PINES

Senator HOLLAND (continuing). Testified that the November waiting list at Bay Pines is 464. This is on page 279. And the seven psychiatric patients are approximately the same.

Did I understand you to say that it was approximately the same on the date of this testimony?

Mr. BAKER. The waiting list is now 284 at July 31, none of which are psychiatric.

Senator HOLLAND. I see. Well, that indicates a long waiting list that has not been——

General GLEASON. Well, it has been reduced, Senator.

Senator HOLLAND. It has been reduced some, and that is due, no doubt, to the fact that the Lake City new beds are now available?

General GLEASON. Well, I believe, there were 165 or 167 beds that we took on a temporary basis and put at Bay Pines to reduce this.

Senator HOLLAND. That is correct. Those two factors both added together helped to take care of the critical waiting list of emergencies?

General GLEASON. That is correct.

Senator HOLLAND. But you still have a long waiting list at the Florida hospital, do you not?

General GLEASON. Yes, sir, that is true.

LAKE CITY HOSPITAL

Senator HOLLAND. The one at Lake City serves not only the northern part of our State but also the southern part of the State of Georgia, does it not?

General GLEASON. That is right.

HOSPITAL NEAR UNIVERSITY MEDICAL SCHOOL

Senator HOLLAND. I know from your testimony that you proceeded last year to move ahead because you could move ahead more speedily for the planning of the hospital adjacent to the Medical School at the University of Florida?

General GLEASON. Yes, sir.

Senator HOLLAND. You are moving ahead with all expedition to complete that, are you?

General GLEASON. We are, sir. The technical services' money is provided in the 1963 budget for it.

Senator HOLLAND. And when do you anticipate that that will be completed?

General GLEASON. I hope, Senator, within 3 years.

CANCELLATION OF PRIOR HOSPITAL

Senator HOLLAND. And that, of course, replaces the hospital which had been approved and for which money had been appropriated as early as 1946?

General GLEASON. Yes, sir.

Senator HOLLAND. It was canceled by President Truman in 1947 though the physical property is not being used and, incidentally, was not deeded back; that being the only exception in the long list that was canceled at that time.

Is that correct?

General GLEASON. Yes, sir.

INTEREST IN BAY PINES PROGRAM

Senator HOLLAND. Well, speaking only for the delegation in a brief way, I want to say that we are very much interested in the Bay Pines program.

It happens to be in my own part of the State and I know a great deal about it.

I served as a service officer in my own American Legion area for several years, and I was county judge, and I know how deeply attached veterans are in that area to Bay Pines which is, as you know, a most pleasant place, and a place——

General GLEASON. It is a beautiful place.

Senator HOLLAND. Where people pay thousands of dollars every year to come on vacation to.

And it is beautifully located among the pines with ample area for enlargement of the building.

We are exceedingly anxious that that move forward in the least possible time, because we are being pressed by the veterans and the veterans' families every day, or night and day, on account of shortage of beds.

And you have, yourself, described the critical situation in a very appropriate way, and we do ask you not to think of abandonment of that facility, but instead, to move forward with all possible speed.

General GLEASON. Well, Senator, we would never abandon it without making ample provision to expand in the central Florida area under any circumstances, because we need the hospital beds in that area.

Senator HOLLAND. This, of course, is on the west coast of Florida.

General GLEASON. That is right.

Senator HOLLAND. And it is in an area where there is about 1,900,000 people and where the veterans' population is probably as great, in proportion to the total population, as anywhere because so many veterans have come there for health reasons just as in the case for other citizens, and we are extremely anxious that there be no thought of abandonment of this program for an enlarged facility where it is needed and where the very facts, as testified by yourself and your assistants, shows so clearly that it is needed.

Mr. Chairman, I apologize for taking so long.

Senator SALTONSTALL. This is off the record.

(Off the record discussion.)

Senator ALLOTT. Mr. Administrator, I have one or two short questions.

PERSONNEL AT DENVER OFFICE

I do not know whether you are advised of this or not, but in the Denver area there have been some discussions about delay in the applications on home buildings.

And the information that I have here is that the authorized strength of the Denver office is 58 people and it was 45 people a year ago.

Now, the answer that they have given to my people in Denver is that they cannot process things any faster unless they get two additional personnel, at least, from Congress this year.

Dou you know anything about that situation out there or why this is so?

General GLEASON. No, I do not, but I am sure that Mr. Brownstein here could answer your question.

Mr. BROWNSTEIN. Our reports do not indicate, Senator, that we have any backlog in Colorado.

But we will certainly look into it and we will also take a look at their staffing pattern.

Senator ALLOTT. Will you take that up with me then when you obtain this information?

Mr. BROWNSTEIN. I will be happy to.

Senator ALLOTT. I have one other question.

You are going to be on duty how long?

General GLEASON. Just until Sunday, Senator, but from there I go to the Veterans of Foreign Wars convention in Minneapolis and St. Paul.

Senator ALLOTT. Could I ask then if at that time, when you return from the convention, if we could then discuss the Abe Bolotin matter, about which we have exchanged correspondence?

General GLEASON. I would be delighted to, Senator.

AMOUNTS PAID TO PHILIPPINES

Senator ALLOTT. Then I would like to have you put in the record, if you will, one item, and that is the total amount paid to either agencies of the Philippine Government or to Philippine individuals during the last fiscal year by the Veterans' Administration.

General GLEASON. Well, Senator, because of your question, a year ago I had all of those figures together and sent them to Secretary Rusk for his information and use because as I recall a year ago, you did bring up this question.

Senator ALLOTT. And I would——

General GLEASON. In 1961?

Senator ALLOTT. Yes.

General GLEASON. Would you like to see them?

I will insert the statement in the record. We paid a total sum of $60,055,000 in 1961.

Senator ALLOTT. The reason I asked this is that, having served over there a little while, the various kickbacks we get about Uncle Sam not doing anything for us recently or otherwise seems to rub this Senator a little bit the wrong way, when I realize that.

General GLEASON. Well, we sent this to Secretary Rusk and told him of your concern about this matter and gave him all of the figures.

Senator ALLOTT. Now I have just been handed a list or a table from 1946 through 1961, and that would include the last fiscal year which shows a total claim for the Philippines by the Veterans' Administration of $932,450,378.38.

I wonder if I could have this inserted in the record?

General GLEASON. We will bring it up to date for you, too, if you desire.

We will add 1962 when it is available.

This would be the last final report that we will have available for several months.

Senator ALLOTT. All right. Then——

Senator MAGNUSON. We will put this in the record.

(The table referred to follows:)

U.S. Veterans' Administration disbursements by fiscal year in the Philippines

Year	Totals	Year	Totals
1946	$1,299,513.90	1955	$69,104,082.55
1947	14,912,883.41	1956	65,499,164.26
1948	37,856,760.23	1957	62,076,953.09
1949	58,641,896.14	1958	62,929,557.00
1950	57,942,940.46	1959	63,601,735.00
1951	65,644,384.74	1960	65,609,980.00
1952	86,082,904.48	1961	60,055,607.00
1953	88,132,546.78		
1954	73,059,469.34	Total[1]	932,450,378.38

[1] Includes benefit payments, salaries, and other administrative expenses, and grants-in-aid disbursements.

HOSPITAL CONSTRUCTION COST

General GLEASON. This table shows the cost of construction of the hospital plus a breakout of the grants-in-aid that were paid, both of which are included in the table that you just inserted.

Senator ALLOTT. And this item I now have in my hand entitled "Grants-in-Aid Disbursements" that have been made in the past year—is that right?

General GLEASON. Yes, sir; a separate tabulation for hospitalization expenses, plus previous payments for the same purpose plus the cost of the hospital itself.

Senator ALLOTT. I would like to have this in the record.

(The table referred to follows:)

Grants-in-aid disbursements, Republic of the Philippines (Public Law 865, 80th Cong., as amended)

Construction of Veterans' Memorial Hospital	$9,399,961
All hospitalization expenses including contract hospital care from inception of program 1950 through fiscal year 1960	14,505,111
Hospitalization expenses including contract hospital care, fiscal year 1961	498,890

General GLEASON. Now, other than that, the only moneys we would have spent there would be salaries and I am sorry, but I do not have that figure.

Senator ALLOTT. That is all right. Since the distinguished senior Senator from Florida is here I wanted to tell him why I did not raise the matter of the Bay Pines Hospital.

Your colleague, Congressman Cramer, called me about this, but I know you know a lot more about it than I do.

REPRESENTATION EXPENSES

Senator MAGNUSON. All right. Now, just one thing, General, the House cut out language not to exceed $1,000 for official reception and representation expenses.

You are not appealing that?

General GLEASON. We would like to have it, Senator, but we are not officially appealing it, no, sir.

Senator MAGNUSON. Well, maybe I might ask the committee to put it back in. It is a small amount and maybe we might catch the House, in conference, on a good day and something might happen to it.

But I do think you have to have something down there——

General GLEASON. It is——

Senator MAGNUSON. Other agencies do, and this is a very small amount.

General GLEASON. Well, many foreign countries send——

Senator MAGNUSON. I mean, for the amount of work that you have to do.

General GLEASON. Representatives over to see us and when they are here, and you take them to lunch or something like that, it does get a little expensive.

CANADIAN AND OTHER VISITORS

Senator HOLLAND. Well, may I ask a question?

Is it not true that there is some crossing of responsibilities for instance, between yourselves and the Canadians by men who, from our country, served in the Canadian Forces and vice versa, and you have visits with them and they visit you?

General GLEASON. We have them from all over the world.

Senator HOLLAND. And the same thing is true from France and Great Britain and the Chinese?

General GLEASON. And the Chinese, yes.

Senator HOLLAND. Well, I think you should have that.

General GLEASON. The only way we can do it is to take it as a tax deduction which does not always help.

Senator HILL. You might even give them some Florida orange juice, is that right, General?

General GLEASON. That always helps.

Senator MAGNUSON. It is a small amount compared to what you have to do and what other departments get, and I think it is a modest request.

Senator MUNDT. Mr. Chairman?

Senator MAGNUSON. Senator Mundt.

SITUATION IN SOUTH DAKOTA

Senator MUNDT. My problems, involving the VA in South Dakota are not very major in terms of money, but they are rather significant, concerning a reported breakdown in service, and I wanted to discuss with you the correspondence we had last April following an announcement that there was a consolidation of the administrative and supervisory conditions under the Loan Guarantee Act.

At that time you decided to move the technicians out of the Royal Johnson Hospital in Sioux Falls, S. Dak., and out of that area up into Minneapolis and St. Paul.

We have about 900 veterans on the loan waiting list. As I understand it this program primarily has been designed to help the veterans secure financial assistance from private institutions and to encourage the use of private funds instead of Federal funds to be made available in the area.

COMPLAINTS FROM VETERANS

Now, I get nothing but a long series of complaints from the veterans and the bankers, and from everybody out there since the machinery and the people have been moved up to the Twin Cities from the South Dakota area. They are unable to get the kind of service that they received formerly.

And I have a few questions to ask in that regard.

PRIVATE LOAN SITUATION

First, do you have any evidence to show whether or not there has been a speedup or a letdown in the rate of private loans which have been qualified for under this guaranteed fund since you made the switch in April?

General GLEASON. We do have that, and I know that Mr. Brownstein can answer these questions.

Senator MUNDT. All right.

Mr. BROWNSTEIN. Yes, sir, the number of guaranteed loans that are being originated, Senator Mundt, are fairly much in the status quo.

In fiscal 1962, without the last month's figures in, we estimated that a total of 178 loans would be originated for the entire fiscal year.

These are guaranteed loans. Now, probably you have gotten a good many complaints about the time that it takes to reach veterans on the waiting list for direct loans.

Let me assure you, this is not unique to the State of South Dakota. This is true in all of the areas.

We have long waiting lists in all of our direct loan areas.

EMPLOYEES INVOLVED IN SOUTH DAKOTA MOVE

Senator MUNDT. Let me ask you: As I recall, you had 16 employees involved. Is that correct?

Mr. BROWNSTEIN. Yes, sir, that is correct.

Senator MUNDT. And how many did you move to the Twin Cities and how many did you keep in Sioux Falls?

Mr. BROWNSTEIN. Well, we have a total savings in the consolidation of about four and a half people. We have stationed in Sioux Falls now, I believe, three people.

Senator MUNDT. How many in the Twin Cities?

Mr. BROWNSTEIN. I cannot tell you how many people we have——

Senator MUNDT. In other words, were these people removed from the Federal payroll or just transferred?

Mr. BROWNSTEIN. There was a combination of both, Senator Mundt. Some of them were transferred to St. Paul. Three of them remained duty-stationed in Sioux Falls, but, as I say, we have a net savings of about four and a half people at about $25,000 a year.

Senator MUNDT. Why would they be able to do more work in St. Paul than they would be able to do in Sioux Falls?

LOANS MAINLY MAIL ORDER BUSINESS

General GLEASON. When you have an extremely small workload, such as we had in Sioux Falls and in nine other stations, incidentally, where we have effected loan guarantee consolidations, it becomes almost impossible to staff an office of this size with the kind of technicians that you need to do the processing.

You have different skills that are required, of course.

In the main, also, our loan guarantee business is a mail-order business. We do not see the average veteran in one of these cases. The lender sends in all of the loan papers and it is just as easy to mail them into St. Paul as it is to Sioux Falls.

All of the consolidations that we have effected have been extremely successful, we believe; in addition to saving the Government money, it has not noticeably impaired service and generally, it has improved it.

LETTER FROM SOUTH DAKOTA BANKER

Senator MUNDT. Well, maybe so, but let me read you a letter that just came in from the president of one of the leading banks in the State, located in Sioux Falls, and he says that the Loan Guarantee Division of the Veterans' Administration was handled by the Veterans' Administration here for a number of years.

> I must say it was very satisfactory. Everybody thought they were getting splendid service. They contemplated, or when they contemplated moving this into Minneapolis, a lot of us did suggest that it be left here and, I believe, you did some work on it.
>
> It was transferred, however, to Minneapolis, the first part of this year—I must say the service is just as bad now as if they had the office in the jungles of Africa where the information would be provided by oxcart.

Now, this is written by a distinguished banker who is, obviously, motivated by a breakdown in the procedure.

TIME REQUIRED TO SERVICE LOANS

In other words, it takes about 6 weeks to process a loan.

This is a far cry from the splendid service that was rendered when the guarantee loan section was in Sioux Falls.

Mr. BROWNSTEIN. I would like him to identify his cases, Senator Mundt, and let us check them.

Senator MUNDT. Well, I shall certainly be glad to do that, but I would like to have you supply for the record whether or not it does take 6 weeks to process a loan and whether or not that is "par for the course" or whether that is longer or shorter than the customary time for handling loans.

General GLEASON. Six weeks is not an unduly long period of time, Senator. Before I came in the Government I was vice president of the largest bank in Chicago, and I have had some experience with the GI loan program.

TOTAL LOANS PROCESSED IN CALENDAR YEAR 1961

And I would just like to point out, Senator, that in the entire calendar year of 1961 Sioux Falls processed only 81 guaranteed loans.

Now, during that year we had an average of 13 people, so that in the entire year these people handled only 6 loans per person.

Senator MUNDT. Is that processed or approved?

General GLEASON. Yes, sir; processed, and guaranteed by VA. For a total of $135,517 in guaranteed loans.

Now, this is a pretty small number, Senator; to have this many people is pretty expensive.

Senator MUNDT. I quite agree. I do not know how your figures jibe with the ones I have, which is 900 veterans on the waiting list——

DIRECT-LOAN PROGRAM

General GLEASON. That is on the direct-loan program, Senator.

We have two. There is a guaranteed-loan program and a direct-loan program.

Now, the banks do not get into the direct-loan program at all, because the only reason we are in the direct-loan program, Senator, is that the banks refused to loan the money.

Senator MUNDT. People process these types of loans, do they not, bank people?

General GLEASON. Yes, sir; but the banks have nothing whatever to do with the processing of the direct loans.

The Government loans the money to a prospective purchaser of a home, who is a veteran, only because the banks and savings and loan associations refuse to loan him the money under the guaranteed-loan program.

Senator MUNDT. Now, going back to your breakdown of so much a loan, it seems to me that we ignore the fact that these same people are also handling other types of loans. Is that right or wrong?

ATTITUDE OF BANKS TOWARD DIRECT LOANS

General GLEASON. Well, Senator, may I say this: You read us a letter from a banker. Now, in Sioux Falls, in the year of 1961, there were only 81 guaranteed loans for the entire year made by those banks. Now, if you recall, we had an average of 13 people in Sioux Falls in 1961. We have taken 4½ approximately on a savings by moving to Minneapolis, leaving three people in Sioux Falls to handle direct contacts.

This is 13 people to take care of 81 loans in a year.

Senator MUNDT. Is that all those 13 people do, take care of the bank loans?

General GLEASON. No, sir, they take care of the direct loans, but the only thing that this banker can be talking about, Senator, is the guaranteed loans because he never handles direct loans.

If the banks made the loans then it would be under the guaranteed program, and the banks are refusing to do this.

And that is why there are so few guaranteed loans——

Senator MUNDT. Well, part of the earlier correspondence, which I have had with him, which resulted in this last emphatic statement, I tried to explain this to him, and his contention is that they do not have the personnel up there to process the private loans which means that they are making more of the direct loans.

General GLEASON. That is not true, Senator, because if there were more of the guaranteed loans being made the U.S. Government would not have to be in the business.

Senator MUNDT. That is right.

But he claimed one reason we are in the business so deeply is the slow processing of the loans which are made by the private lending institutions.

1955 LOAN BUSINESS AT SIOUX FALLS

General GLEASON. Well, Senator, in 1955 Sioux Falls processed 1,454 guaranteed loans. These are bank loans, guaranteed bank loans.

In 1961 there were only 81.

Now, this is before we moved the office.

Senator MUNDT. As against 1,500?

General GLEASON. You are right.

Senator MUNDT. Now, what would be the reason?

General GLEASON. Because the banks do not make the loans.

Senator MUNDT. What happened to them between 1959 and 1960?

General GLEASON. Senator, I cannot tell you. I mean, I do not know what their loan portfolio program is in the banks up there.

DECREASE IN LOANS

Senator MUNDT. That is a tremendous decrease.

General GLEASON. It certainly is. In 1956 it was 1,061; in 1957 it was 439; in 1958 it was 190.

Then it increased slightly to 249 in 1959. In 1960 it dropped to 132, and in 1961 it went down to 81. And until June 30 of this year it was 45.

Now, we certainly cannot keep the same number of personnel, Senator, any place to take care of what originally was 1,500 loans.

Senator MUNDT. Do you receive the same letters of complaints that I get from the officers of the Veterans of Foreign Wars, whom you are about to address?

General GLEASON. Yes, sir.

Senator MUNDT. And the American Legion, concerning the loan situation generally?

Now, they are not dealing only with guaranteed loans. They would be dealing with your direct loans, too.

General GLEASON. They may not be living in a direct loan area.

Now, we are prohibited by statute from going in large metropolitan areas.

Senator MUNDT. Yes.

General GLEASON. Generally speaking, our direct loan program is only in areas of approximately 25,000 or less.

SAVINGS EFFECTED BY TRANSFER

Senator MUNDT. Could you supply for the record the reflection in this budget request now before us of the savings which you made by this transfer of personnel from Sioux Falls to the Twin Cities?

General GLEASON. Surely. Mr. Brownstein just mentioned that it approximates $25,000.

Senator MUNDT. And will you pinpoint for the record where that is reflected in the budget request?

RECAPITULATION OF FUNDS REQUESTED

General GLEASON. Well, Senator, in our general operating expenses, appropriated for fiscal year 1962, it was $161,773,000.

Our estimate for fiscal year 1963 is $157,669,000 or a decrease of $4,104,000.

And this is part of it.

Senator MUNDT. Could you provide for the record a table showing the number of people employed in the Sioux Falls office for each of the last 10 years?

General GLEASON. Surely, we can supply that very easily, sir.

(The information referred to follows:)

Station employment, Sioux Falls regional office (as of Dec. 31 each year)

	Station		Station
1952	152	1958	99
1953	140	1959	86
1954	110	1960	83
1955	109	1961	84
1956	110	1962 (June 30)	68
1957	104		

Senator MAGNUSON. All right. Any further questions?

If not, thank you very much, all of you.

Off the record.

(Discussion off the record.)

Senator MAGNUSON. The committee will continue with the Federal Power Commission.

FEDERAL POWER COMMISSION

STATEMENT OF JOSEPH C. SWIDLER, CHAIRMAN; ACCOMPANIED BY LAWRENCE J. O'CONNER, JR., VICE CHAIRMAN; HOWARD V. MORGAN, COMMISSIONER; HARRY J. TRAINOR, EXECUTIVE DIRECTOR; RICHARD A. SOLOMON, GENERAL COUNSEL; CLARENCE UNNEVEHR, CHIEF, BUREAU OF NATURAL GAS; MARION F. HETHERINGTON, ACTING CHIEF, BUREAU OF POWER; S. DAVID FREEMAN, ASSISTANT TO THE CHAIRMAN; MILTON A. PILCHER, DIRECTOR OF ADMINISTRATION; AND THOMAS F. CASHELL, CHIEF, DIVISION OF BUDGET AND FINANCE

LETTER FROM AGENCY

Senator MAGNUSON. The Chairman of the Federal Power Commission has sent a letter to us which we will put in the record in full along with an itemization of the complete appropriation request.

(The letter and itemization referred to follow:)

FEDERAL POWER COMMISSION,
Washington, D.C., August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of Independent Offices Appropriation Bill for 1963, U. S. Senate.

DEAR MR. CHAIRMAN: In reply to your letter of July 27, 1962, the Federal Power Commission appreciates the opportunity to appear before your subcommittee. We are preparing to appear before you at 11:30 a.m. on August 8, 1962.

The bill which passed the House provides $9,946,500 for the work of the Commission. This is a reduction in our budget request of $1,153,500 and will seriously impair our new programs for handling our huge workload in regulating the natural gas and electric power industries. We are therefore requesting that your subcommittee recommend an appropriation of the full amount requested. Also, in order to enable us to use consulting services as needed, we request that the limitation on the amount the Commission can spend for such services be removed.

The proposed changes would be accomplished by deleting the language in the House bill under the heading "Federal Power Commission, Salaries and Expenses" beginning with line 26 on page 14 through line 3 on page 15, and inserting in lieu thereof:

"* * * vehicles, and services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), at rates not to exceed $100 per diem for individuals, $11,100,000."

Thank you for your consideration. I look forward to discussing the details of our request with you at the hearing.

Sincerely,

JOSEPH C. SWIDLER, *Chairman.*

ITEMIZATION OF APPROPRIATION REQUEST

Salaries and expenses, Federal Power Commission—Analysis by object

Standard classification	Estimate 1962	Estimate 1963	Increase (+) or decrease (−)
11 Personnel compensation	$7,284,000	$8,919,000	+$1,635,000
12 Personnel benefits	557,600	675,400	+117,800
21 Travel and transportation of persons	513,000	758,000	+245,000
22 Transportation of things	9,300	11,700	+2,400
23 Rent, communications, and utilities	138,000	264,000	+126,000
24 Printing and reproduction	112,700	110,100	−2,600
25 Other services	36,600	156,700	+120,100
26 Supplies and materials	74,400	84,900	+10,500
31 Equipment	67,400	120,200	+52,800
Total obligations	8,793,000	11,100,000	+2,307,000
ANALYSIS BY ACTIVITIES			
1. Non-Federal hydroelectric projects	1,656,000	1,891,000	+235,000
2. Electric power industry	1,232,900	1,696,900	+464,000
3. Natural gas industry	4,815,400	6,306,800	+1,491,400
4. Federal river development projects	395,500	440,700	+45,200
5. International Joint Commission	17,200	17,200	
6. Administration	676,000	747,400	+71,400
Total	8,793,000	11,100,000	+2,307,000

HOUSE ACTION

Senator MAGNUSON. I shall read from page 8 of the House report:

The committee recommends $9,946,500 for the Commission, an increase of $1,153,500 over 1962.

The larger amount approved in 1963 provides a staff of 1,080 on a full annual basis, or 100 positions more than the Commission had in 1962 to administer a backlog of work relating to the natural gas and electric power industries.

The committee does not expect the cost of any positions to be annualized in the 1964 budget.

This is a lump sum appropriation without any special legal limitations as far as items of expenditure are concerned.

In other words, the Commission has wide range in the expenditure of these funds. The committee, therefore, expects good management on the part of the Commission and good results.

What is the requested amount?

Mr. SWIDLER. $11,100,000.

Senator MAGNUSON. So this amount of $9,946,500 is minus $1,153,500?

Mr. SWIDLER. Exactly.

SPECIAL COUNSEL LIMITATION

Senator MAGNUSON. And then there is a language matter in there on special counsel limitations?

Mr. SWIDLER. Yes, sir. The limitation on per diem was raised to $100.

Senator MAGNUSON. Now, let's take that item first. What do you have to say about that limitation?

Mr. SWIDLER. The House increased the per diem limit to $100 which, we think, will help to make the use of consultants practical but the $10,000 limitation will only provide for a total of 100 days at $100 which is not adequate to establish a program for use of consultants in

the way that we should, in order to get their help and avoid taking on specialized employees on an annual basis.

Senator MAGNUSON. So you would suggest to the committee that we take a look at that and see whether or not we want to either delete the $10,000 or change the figures?

Mr. SWIDLER. Yes, Senator Magnuson.

Senator HILL. May I ask a question there?

Senator MAGNUSON. Yes.

Senator HILL. Mr. Chairman, you would say that by changing the figure or deleting that limitation you would save money for the Government, would you not?

In other words, you could use these consultants which would be more economical than if you had to hire a lot of full-time regular people, would you not?

Mr. SWIDLER. That is the purpose, Senator Hill.

We would use whatever amounts were available for consultants sparingly, but the limitation is now so severe that it is hard to set up an effective program to use them at all.

May I say, Senator Magnuson, that we are very appreciative of the committee's willingness to hear us so late.

We know that you have had a long and hard day and are tired, and it is a matter of great convenience to us to be able to be heard this afternoon.

Senator MAGNUSON. Well, we are glad to do it.

REGULATION OF GAS AND ELECTRIC INDUSTRIES

Now, we had better get to this item and this, of course, involves mainly personnel and the work you have down there.

The $1,153,000, you say, will seriously impair your new programs for handling your huge workload in the regulation of the gas and electrical power industries.

We have all heard, in this committee, for many years of the backlog of the so-called gas rate cases.

Mr. SWIDLER. Yes, sir.

Senator MAGNUSON. Would you discuss that, the impairment of the work in that particular field or how much of the $1,153,000 would be an impairment in that field?

What percentage would that be?

Mr. SWIDLER. Approximately two-thirds of the positions would be in the natural gas work and the other third on the power side.

The natural gas work, as you know, is very far behind——

Senator MAGNUSON. These are the rate cases that——

Mr. SWIDLER. These are rate and certificate cases.

Senator MAGNUSON. Yes.

PENDING CASES

Mr. SWIDLER. We have now pending 5,500 producer cases, rate and certificate.

There are 3,000 rate cases and 2,500 certificate cases in addition to about 275 certificate and rate cases pending involving the pipelines.

Senator HILL. About what, sir?

Mr. SWIDLER. About 275 cases involving the pipelines.

Senator HILL. Oh, yes, pipelines.

Mr. SWIDLER. Now, some of these cases have been pending for 5 years. They are most complex cases. The producer cases involve establishment of new administrative devices to regulate field prices which have not been subject to regulation before and where the manpower requirements are most severe.

The natural gas industry is the sixth largest industry in the country. It is an industry upon which 34 million consumers depend, and the work of the Federal Power Commission, in issuing certificates and establishing producer rates and pipeline rates, is the central regulatory influence on the growth of the industry and on the rates.

The distribution regulation by the States begins where our regulation leaves off, and all of the actions that we take are passed up the line to the ultimate consumers.

Senator Magnuson and members of the committee, we have undertaken a very vigorous program to catch up with our backlog on the natural gas side.

Senator MAGNUSON. Well, that is what you suggested you would do when you were first up for confirmation, and no one knows better than I or, rather, better than any member of the Senate Commerce Committee that some of these cases take a long time, and it is unbelieveable as to how long they do take to get to some point of decision.

Mr. SWIDLER. We have disposed of hundreds, many hundreds of cases. We have, I think, a great deal to show for our efforts. I would like to have the committee understand that we have taken the utmost advantage of the manpower and the facilities that we already have.

PIPELINE RATE REDUCTION ORDER

As an example, the Commission in the last year has ordered reductions of the rates of pipeline companies in the aggregate amount of $153 million.

This is money that has flowed back from the pipelines to the distribution companies and back to the consumers, $153 million.

This is only one aspect of our work in the natural gas field. If our whole natural gas appropriation was related simply to the savings to consumers in our pipeline rate cases it would be only 4 percent of the total.

DELEGATION OF AUTHORITY LEGISLATION

Senator MAGNUSON. Has the bill that we got through for you on the delegation of authority been helpful?

Mr. SWIDLER. That has not yet been passed by the House.

Senator MAGNUSON. Would it be helpful if finally passed?

Mr. SWIDLER. It would be helpful, yes, sir.

Senator MAGNUSON. Now, of course, there is always talk, and you hear it all the time, of the failure of the Power Commission to protect the interests of the consumer.

This has been going on all over the years.

PROTECTION OF INTERESTS OF CONSUMER

What has been the change in the cases before your Commission regarding the consumer being properly represented before the Commission?

Mr. SWIDLER. Well, this——

Senator MAGNUSON. I am not talking about the decisions of the Commission, but I am talking about their ability or the availability of the Commission to hear them and to have them properly represented.

Mr. SWIDLER. I think our record shows, Senator Magnuson, that this is a consumer-oriented Commission.

In order to protect the interests of consumers it is essential that the pipelines be in a healthy financial condition, and that the rates for gas in the field should be such as to encourage future production.

But we take a very aggessive consumer position.

And I think that our staff is vigilant to protect the interests of the consumers. The limitation is in having enough people.

We cannot protect them without having enough people.

Senator ALLOTT. Mr. Swidler, you disturb me very much.

Your agency acts in a quasi-judicial function.

Mr. SWIDLER. Yes, sir.

Senator ALLOTT. Now, it is true that you have an interest in the consumer but you also have, even whether it is big or smaller, an interest in the supply of gas, the rates the people are paid in the field, the rates of the transmission. I am alarmed to hear you talk as if you had only one interest in this matter because your oath of office embraces a lot more than that.

Mr. SWIDLER. I think the courts have declared that the Natural Gas Act was passed by Congress primarily for the protection of consumers.

A part of that protection, as I say, is to be sure that the pipelines and the producers are in a healthy position, and that they receive fair prices for their services.

There are administrative protections and there are judicial protections, which we observe.

When a case comes to us we decide it in accordance with the facts and the law, but we keep in mind that our responsibility is to see that the rates are no more than is required for a healthy industry which is what we understand Congress——

Senator ALLOTT. The industry is not entitled to any more than its reasonable return, but you just alarm me when you talk as if the only thing you were considering is the welfare of the consumer.

And I do not think it is the only thing.

Mr. SWIDLER. The welfare of the consumer and the welfare of the industry are intimately bound up together.

Senator ALLOTT. You cannot separate them.

Mr. SWIDLER. No, you cannot separate them.

Senator MAGNUSON. But the question I asked him was, there have been some legitimate complaints in the past of the inability of the consumer to arrive at this decision or the Commission's inability and their inability to be represented before the Commission, and I think that what he is trying to tell us, and what he does tell us, is that they are making every effort to see that the consumer does have his say in court or whatever you want to call it.

Mr. SWIDLER. We keep in mind the consumers' interest all of the time.

Senator HILL. As well as a healthy condition of the producers.

Is that right?

Mr. SWIDLER. Exactly, as well as the requirement that the producer and the pipeline, too, will be able to carry out their functions.

NATIONAL POWER SURVEY

Senator MAGNUSON. Now, right along there or right along that line, they have established a national power survey which they have included, just to follow up what he said and what you suggest, Senator Allott, from both the publicly owned and privately owned segment of the electrical power industry, so that they might get together and see how they can work their problems out.

And I understand that that has been well, has it not?

Mr. SWIDLER. Yes, sir.

I think the Commission is very happy with the way the national power survey has caught the imagination and has won the support and the endorsement of all segments of the electric power industry.

Senator ALLOTT. Could I inquire, who is represented on that survey?

Mr. SWIDLER. I would be glad to put into the record a complete list——

Senator MAGNUSON. Put in the record a list of them.

Mr. SWIDLER. Of all the members of the committee.

There are about 50 drawn from industry two-thirds or three-quarters of the total, the list is a part of my statement which I would like to put in the record.

Senator ALLOTT. Could I ask you, in general, Mr. Swidler, does this include—you have already said it included private segments of the industry?

Mr. SWIDLER. Yes.

Senator ALLOTT. Does it include REA's?

Mr. SWIDLER. It includes representatives of the REA's, representatives of the Federal agencies, representatives of the municipalities, and the majority are representatives of the private companies because, of course, the private companies account for such a large part of the industry.

We have tried to balance all of the committees so that there will be a voice from all segments at each committee level.

Senator MAGNUSON. Now, I have just one more thing:

DOWNSTREAM BENEFITS FROM HYDRO PROJECTS

In your statement you say you have some new ideas for bringing money back into the Federal Treasury as a compensation for downstream benefits on Federal, Federal hydro projects which my friend Morgan and I know, is quite a problem out in the Columbia Basin, and we are interested in those ideas.

And I would like to have you elaborate a little for the record on that.

Mr. SWIDLER. Senator, in the past the Commission's procedure has been to look at each downstream project separately and, after the event, to try to compute how that particular project benefited from

the water that came downstream as a result of upstream Federal storage projects.

The Commission's staff followed the water downstream and they figured out how much that water helped—if that water had not been there what other power sources they would have had and what it would have been worth and so forth, a very elaborate analysis.

As a result, this program moved so slowly that the administrative expenses are almost exactly equal to the total amount which has been received from the power companies for these enormous benefits from the Federal Government's investments in these upstream projects.

We are now trying a couple of short cuts.

In the latest hydro project license that we issued for the Wells project we put a formula right in the license so that when that project goes into operation the amount that is due from the project can be computed readily.

And this, I think, is a practice that we will continue, so that from now on it should not be necessary to hold expensive, difficult and complex hearings with respect to projects which we license hereafter.

Senator ALLOTT. Mr. Swidler, will you go over that again?

I missed your point somewhere along the way. I think I understand reclamation and hydroelectric projects, but I surely missed both of them on this one.

Would you go over that once again, please?

Mr. SWIDLER. Yes, sir.

PAYMENTS FROM LICENSES OF DOWNSTREAM PROJECTS

The Federal Power Act provides that the owners, the licensees of downstream projects, shall pay the United States an equitable part of certain of the costs of operating the Federal Government's upstream projects.

Senator HILL. You get a better flow of the river?

Mr. SWIDLER. That is right.

Now, in the past the procedure has been for the Commission staff to analyze the benefits year by year and project by project.

They were trying to determine how the water would have flowed past the downstream project if it were not for the dam upstream, at what seasons did the additional water come, how valuable was it, how valuable was the power that it replaced, in order to determine the net benefit, and these determinations involved a great many assumptions and calculations and a great many causes for argument and dispute and, as I say, the administrative cost was as high as the recovery.

REASONABLE FORMULA IN LICENSE

Instead of doing this in the future, what we propose to do is to establish some reasonable formulas, and such a formula was inserted directly into the last license that we granted which was for the Wells project on the Columbia——

Senator MAGNUSON. River.

Mr. SWIDLER. River.

Senator ALLOTT. In other words—maybe I can shortcut this—what you are doing is making an assessment of the benefits, in effect, at the

time you grant the license and make this determination a part of the license.

Is that right?

Mr. SWIDLER. That is right.

Senator MAGNUSON. Because it just seems impossible, and particularly let's take the Columbia River, to get people together on the equities involved but once they accept the license and accept the formula——

Mr. SWIDLER. The calculations are simple.

Senator MAGNUSON. Yes.

Mr. SWIDLER. We are also promulgating a general rule incorporating two formulas, depending upon the nature of the project, which will be applied as rules of thumb to the projects already in existence. There is flexibility in the way these rules are to be applied.

If they create an injustice in any particular situation they can be reviewed, but we start with a rule of general applicability that can be enforced without elaborate investigations and we expect, after we have had time to make these rules effective, to bring in substantial amounts of money at low administrative cost. Putting this new procedure into effect, however, will require manpower.

Senator MAGNUSON. Now, it also works the other way?

Supposing a non-Federal dam benefits a Federal dam?

Mr. SWIDLER. No, Senator, the law makes no provision for Federal payments for benefits from upstream private projects.

Senator MAGNUSON. Well, there would not be any Federal payments, I understand that, but there might be, in all equity, some payments in power——

Mr. SWIDLER. The Federal Power Act makes no provision for such payments.

Senator MAGNUSON. I know it does not, but what I am saying is there might be some equities there that you could resolve or which might be resolved in favor of power.

I do not know whether that works or not.

Out in our country it does not, or so far as I know the dams did not take shape that way, but it could happen someplace else.

Mr. SWIDLER. We also have the responsibility of determining the benefits from the project of one licensee to the project of another licensee.

Senator HILL. You mean where you have two private companies?

Mr. SWIDLER. Where you have two private projects.

Senator ALLOTT. May I ask a question?

We have gone through substantially the same thing with other boards and commissions, and I know this was discussed with your Commission last year.

ACCELERATION OF ADMINISTRATIVE HEARINGS

What have you done within your Commission to speed up the administrative hearings?

Mr. SWIDLER. Well, we have done a great many things, Senator, and if you have the time to listen to the answer at this late hour I will be glad to try to provide it.

The most important thing we have done in connection with natural gas cases was to eliminate the elaborate field investigations which we found was the greatest single source of delay.

We are now promulgating a rule, under which the pipeline companies, when they come in, will file substantially a prima facie case. The figures will be certified to by their own auditors.

We will make test checks of their books periodically but not in connection with the case so that we will not have to delay procesing a rate application by making a complete investigation of the company's books.

We will already know that their books are in good shape and that the figures are audited on the basis of those books.

This new rule for rate filings will eliminate one great area of delay.

REORGANIZATION

Another step that we have taken is to reorganize our Bureau of Natural Gas so that we can handle and process these cases quickly. Instead of having a Rate Division and a Certificate Division, which divided up the work by specialty, we now have a Pipeline Division and a Producer Division and each of these divisions in turn is subdivided so that there are a group of people who are very familiar with the companies in their area and who will be immediately familiar with the implications of any matter which comes before them involving the particular groups of companies for which they are responsible.

A parallel to the new organization in our Bureau of Natural Gas has been made in our legal staff so that they can work together closely on the basis of intimate knowledge of the companies involved.

We have streamlined our staff's preparation for hearings so that each step is planned in advance with an early deadline. We have a new management information system which enables us to know the status of our cases and move them along.

PREHEARING CONFERENCE PROCEDURE

We are also in the process of revitalizing our prehearing conference procedure which has not been helpful in the past because the conferences were held at a stage before the counsel were familiar with all of the facts or knew what the issues were, and could not stipulate out the matters which were not in controversy.

With the new types of filings that I have described and with a requirement which we are in the last stages of considering, which will provide that all of the testimony, the initial case and the rebuttal, should be served in advance of the hearing, it will be possible to hold a meaningful prehearing conference and then hold a hearing without interruption for recesses which have been a chief source of delay in our proceedings in the past.

We hope to carry through the entire hearing in one continuous session.

(Chairman Swidler's address to the American Bar Association on August 6, 1962, describing the new hearing procedures is included at the conclusion of his testimony.)

Senator MAGNUSON. Let me clear that. By that you mean if I apply and Senator Allott objected as a party to a proceeding, then I wanted to rebut what he said, we would do all of that——

Mr. SWIDLER. All that.

Senator MAGNUSON (continuing). Before we showed up at the pre-conference hearing. How long a time do you give us to do that?

Mr. SWIDLER. We are scheduling the time factor in the hope that we can dispose of these cases within the 6-month period before rates would go into effect under suspension.

I do not say we are going to be able to do this, but given enough manpower so that we do not have to pull a man off one job to put him on another we are aiming at trying to dispose of the pipeline cases within the 6-month suspension period from the date of filing. But it cannot be done, and certainly cannot be done while at the same time protecting the public interest unless we have more staff. We want speed, but we must be thorough, too. This is our problem.

INCREASE IN PRODUCER CASES

Senator ALLOTT. Has the caseload backlog grown in the past year?

Mr. SWIDLER. It has grown in producer cases. It has declined in pipeline cases.

As to producer cases, we are still working on developing the procedure for disposing of them. Many hundreds of them are consolidated in the area rate cases where we are fixing rates for a whole gas-production area in one proceeding.

We have two area rate cases underway. One of them we are pushing vigorously. The other we do not have the manpower to push. The *Permian Basin* case is making good progress. The *Southern Louisiana* case is not.

In the other areas we have not established any area rate proceedings because we just do not have the people. Until we can develop this procedure and get more manpower I am afraid our backlog of producer cases will continue to grow. But in the pipeline cases where the law is established, where we are plowing familiar ground, we have made progress and we have brought down our backlog very greatly, I think by about 40 percent, and we can get current soon on these important pipeline cases if we have more people.

Senator ALLOTT. Have you included your figures of your experience on these cases in your statement?

Mr. SWIDLER. Yes, we have.

Senator HILL. Are you through?

Senator ALLOTT. Yes. Go ahead.

Senator HILL. Is it not much to the interest of these companies and these producers to get rid of this backlog in order to know where they are?

Mr. SWIDLER. Yes. The industry——

DILATORY TACTICS

Senator MAGNUSON. Yes and no. Some of them just use every method they can for delay, hoping something will happen in the meantime.

Mr. SWIDLER. I think all in all we have had very good cooperation. I think the industry is watching with great interest the development of these area rate proceedings.

This is, to my mind, the most important experiment in regulation which has been attempted for many years. It is obvious that we are going to have to do some pioneering in this field if we are going to get a workable system of regulating prices for natural gas in the field. It is apparent we are going to have to develop this new system if we are going to be able to get rid of the backlog, but I will say that we have literally hundreds of these producer cases piled up which we would try on a conventional basis and do the best we could with that group of cases if we had more people. These are very difficult and elaborate cases.

Senator MAGNUSON. And many times in these cases in the practice they delay themselves for some reason or other?

Mr. SWIDLER. I cannot say.

Senator MAGNUSON. Of course, they do.

Mr. SWIDLER. I am sure there must be some, but I must say——

Senator MAGNUSON. All kinds of them.

Mr. SWIDLER (continuing). From my own experience I am more impressed by the cooperation we have received than by the dilatory tactics.

Senator MAGNUSON. By that I do not mean the applicant, the guy who applies wants to get the case decided fast, but the people who oppose it are the ones.

Mr. SWIDLER. Intervenors.

Senator MAGNUSON. And use every possible means within the law to delay decisions, and these are some of the cases that go on for months and years, some of them.

Mr. SWIDLER. Frequently there are intervenors.

Senator MAGNUSON. And once in a while the Commission has to take the "bull by the horns" and call them in, do something, and say, "Let's decide this matter one way or the other and get it over with."

Mr. SWIDLER. In some of our cases there may be 75 or 100 appearances. In a major pipeline certificate case every community on the line, every pipeline company that is interconnected with the particular company that is applying, all the competing fuels, coal, fuel oil, they are all in the case. These cases are difficult to try. They are long drawn out. They are expensive.

I think that the Federal Power Commission cases are not exceeded in complexity by those in any administrative agency in the country. We are in a position to dispose of them, nevertheless, but not without more people.

Senator ALLOTT. Mr. Swidler, could I ask you another question?

REDUCTION IN NUMBER OF SMALL AND WASTEFUL UNITS

At the top of the sheet I have handed you is a quotation from your testimony in the House on March 20 on the second supplemental bill. One part of this statement gives me a little concern. It says, "* * * To reduce the number of small and wasteful units," and this is in reference to the national power survey.

I am going to ask you, Mr. Chairman, that this whole statement be put in so there is not a question of taking it out of context.

Senator MAGNUSON. All right.

(The statement referred to follows:)

EXCERPT FROM HOUSE HEARING, MARCH 20, 1962, ON SECOND SUPPLEMENTAL APPROPRIATION BILL

Mr. SWIDLER. [The National Power Survey] would add a new dimension in the thinking and planning of the individual agencies, public and private, because it would help them to plan on the basis of the best possible use of their capital in regional and national integrations of power facilities so as to make the most of what we have in this country, to reduce the number of small and wasteful units, to reduce the losses in transmission by taking full advantage of the new technology and extra high voltage transmission, to maximize the pooling of reserves so it will not be necessary to add the amount of reserve capacity that is necessary in isolated or semi-isolated electric systems; that is what we propose, not a way of meeting a demand that I agree with you would be met anyway, but a better way, a more productive way, of using our resources to make power more generally available at lower cost and with better use of our capital and energy resources.

FEDERAL POWER ACT PROVISION

Senator ALLOTT. In what context do you use that? How is it within your power to reduce small and wasteful units?

Mr. SWIDLER. Section 202(a) of the Federal Power Act authorizes and directs the Commission to make local, regional and interregional interconnection studies for the purpose of contributing to the efficiency and economy of the power supply in the country. The National Power Survey is intended to outline a system of power supply in the country which will make the best possible use of our power resources, capital and fuel, of our technology, and of our equipment.

There is a great deal of difference, of course, in the efficiency of large units as compared with small units in the generating end of the business and in the transmitting end, too. You get lower costs per unit of capacity and you also get lower operating expenses as you go up in size.

Now, we are not proposing, and certainly have no authority, to attempt to close up any plants, but what we can do is suggest how the various small electric enterprises can get together and pool their resources and instead of building a lot of little units which would be wasteful and have a high capital cost, build a few big ones and bring down the cost of power for all of them.

Senator ALLOTT. Then would this be a fair interpretation of what you have said, that in this statement you have in mind with respect to the survey and the findings that would be your intention to point out the areas in which the number of units might be reduced, and such recommendation is made without any thought that the Federal Power Commission or the Government would be taking any steps to reduce them, per se?

IMPACT OF POWER SURVEY

Mr. SWIDLER. Yes, indeed. This we have made clear. The National Power Survey is merely an outline; it is a suggestion to industry with no power of compulsion, and, of course, the impact of the survey will be only the extent to which it can commend itself to the men who must make the investment decisions as being a contribution to their way of conducting their businesses.

FUNDS FOR POWER SURVEY

Senator MAGNUSON. Let us ask this on the survey in your funds how much is set aside for the survey in this budget, $380,000?

Mr. SWIDLER. Yes, but that does not include the use of employees who would otherwise be working on regional interconnection studies.

Senator MAGNUSON. This is what you call the National Power Survey, is it not? That is what you call it, a National Power Survey.

Mr. SWIDLER. Yes, sir.

TOTAL PERSONNEL INVOLVED IN SURVEY

Senator ALLOTT. How many personnel would be involved in that, Mr. Swidler?

Mr. SWIDLER. This is Marion F. Hetherington, Acting Chief of Bureau of Power.

Mr. HETHERINGTON. We are asking for an increase of 26——

Senator MAGNUSON. Talk louder so we can hear you.

Mr. HETHERINGTON. We are asking for an increase of 26 persons for the National Power Survey, and that, of course, would be in addition, to our regular staff, who are also used on the survey to the extent that they are now available. Some of the activities which are part of our regular work will be used on the survey.

Therefore, while we will utilize more engineers than the 26 additional that we request, we are able to do this tremendous job with a small additional staff because we are able to call on the staff we have already and the information which we keep current at all times.

Senator ALLOTT. One other final question. I would like to have you make perfectly clear that the statement which I handed to you and the various things that you have suggested, the interties, integration of power facilities, do not relate solely to public power.

Mr. SWIDLER. No, not at all, Senator Allott. This is a National Power Survey which includes all systems contributing to power supply in the country, the Federal systems, the municipal systems, the State system in Nebraska, the REA's, as well as the privately owned system.

Senator ALLOTT. Thank you.

Senator MAGNUSON. Are there any further questions?

HOUSE REDUCTION

Senator HILL. Let me ask one other question.

The House cut you down $1,153,000 under the budget allowance, is that right?

Mr. SWIDLER. That is right, Senator.

Senator HILL. Is that right?

Mr. SWIDLER. That is right.

Senator HILL. Did the budget allow the full amount that the Commission requested?

Mr. SWIDLER. No, they cut us about $300,000.

Senator HILL. The budget itself cut you $300,000?

Mr. SWIDLER. The Bureau of the Budget cut us $300,000.

Senator HILL. I see. That is all.

Senator MAGNUSON. All right. If there are no further questions, we thank you gentlemen.

Is there anything you want to put in the record? You had something you wanted to insert?

Mr. SWIDLER. I should like to hand Senator Allott an excerpt from a recent article in the Edison Electric Institute Bulletin which indicates the private industry support of the national power survey and their belief this will make a contribution to the industry.

Senator ALLOTT. Why do we not put this in the record?

Senator MAGNUSON. We will put that in the record.

(The article referred to follows:)

EXCERPT FROM "NEW HORIZONS IN ELECTRIC POWER TRANSMISSION," A TALK BY R. G. RINCLIFFE, PRESIDENT, PHILADELPHIA ELECTRIC CO., BEFORE THE 30TH ANNUAL CONVENTION OF THE EEI IN ATLANTIC CITY, N.J., JUNE 5, 1962

"Some months ago the Federal Power Commission announced that it was undertaking a long-range study of the Nation's power supply. I am certain this study will be useful, and we in the investor-owned companies are cooperating in it. Executives and engineers from our industry have agreed to serve in an advisory capacity in the study, and their experienced judgment will be of value to the Commission. We are providing the Commission with our industry-wide studies of power capacity and pooling, and doing all we can to be of assistance in other ways." * * *

"Chairman Swidler's announcement of the FPC study stated that 'our survey will, of course, be only a suggested plan and not a blueprint.' There has been no indication that it might be solidified into a plan that companies would be compelled to follow. On the contrary, it will be up to each individual company whether or not to follow any suggestions made in the study.

"This pattern wisely maintains responsibility and initiative where it is most natural in the American way of doing things—at the company level." * * *

"The FPC study can be a help to us. But the real progress in power in this country will continue to come, as it has in the past, from the flexible, inventive, and carefully designed plans of investor-owned electric companies that, while tailored to our customers' needs, fit the national interests of our interconnected power pools. They have brought an abundance of electricity—reliably and economically—to all Americans."

PREPARED STATEMENT

Senator HILL. Did you have some other document, too, you want to put in the record?

Mr. SWIDLER. I have a formal statement.

Senator MAGNUSON. That will go in the record in full.

Mr. SWIDLER. On account of the lateness of the hour I shall not read it.

(The statement referred to follows:)

STATEMENT OF JOSEPH C. SWIDLER, CHAIRMAN, FEDERAL POWER COMMISSION

Mr. Chairman and members of the committee, we appreciate the opportunity to appear before you today.

All five of the present members of the Commission have taken office since the Commission's 1962 appropriation hearings and I have served as Chairman only since September of 1961. This is our first opportunity to present to this committee the plans of the present members of the Commission for carrying out the Commission's broad responsibilities under the Federal Power Act and the Natural Gas Act.

The President has requested $11,100,000 for the Federal Power Commission for fiscal 1963, an increase of $2,307,000 over the $8,793,000 appropriated for 1962, to provide for an additional 195 positions.

The House has approved an appropriation of $9,946,500, a reduction of $1,153,500 below the amount requested. The reduction made by the House poses a most serious problem to this Commission and, I might add, to the Nation's natural gas and electric power consumers as well.

The Congress should be aware of what is at stake in the work of the Federal Power Commission. The Commission is the keystone in the system of Federal utility regulation. It is the national agency which regulates the first and sixth largest industries in the country—electric power and natural gas. It sets the standard for utility regulation at both the National and the State level. The State utility commissions throughout the country look to the Federal Power Commission for leadership. Thirty-four million consumers of natural gas in this country look to this Commission for protection against unjustified increases in their gas bills; and the entire Nation looks to this Commission for leadership in encouraging the electric power industry to produce electricity at the lowest possible cost and to encourage the most comprehensive development of the Nation's waterpower resources.

In recent years the Federal Power Commission has been subjected to heavy criticisms as to the way it has carried on its work, or failed to carry on its work, particularly in the natural gas field. Not all of these criticisms have been justified but unquestionably there have been serious delays in disposing of the natural gas caseload and in developing workable policies to implement the regulatory framework in that field. Our backlog of natural gas cases was so staggering a year ago that it was singled out by the President and the Congress as an outstanding example of the crisis in administrative adjudication.

I am convinced, and my associates on the Commission are convinced, that the Federal Power Commission has turned the corner. During the last year, we have adopted new policies where needed, reorganized our staff, streamlined our procedures and supplied new staff leadership. Our major emphasis has been on moving cases along toward conclusion just as expeditiously as possible. I believe that we have gone far toward putting our house in order and are now in a position to use our appropriations prudently and effectively. We can do the job for which we were created, if we have the necessary manpower.

Even those who were most critical a year ago now recognize that the Commission is making solid headway on the mountain of work before it. Dean Landis, who, in his report to the President, elect in the fall of 1960, held up the FPC as a prime example of the breakdown of the regulatory process, commented publicly in February of 1962 that the attitude of the new Commission "is one of a readiness to meet these challenges and the intention to apply a Herculean effort in doing so." He added that the Commission's "* * * record in the past 3 months of bringing about the refunding of some $35 million of excess charges, is significant." Since Dean Landis' talk last February, we have ordered additional refunds of some $115 million, bringing the total refunds in the past year in pipeline rate cases to over $150 million. This is one measure—one among many, and not the most important—of the returns in public benefits from the money appropriated to the Commission.

Our efforts to come to grips with the problems facing the Commission have also met with a favorable response from the industries we regulate and from their investors. One industry publication expressed the opinion of the natural gas industry in these terms:

"* * * they have a growing faith in the present Federal Power Commission. They don't agree with the fact of utilitytype controls, but they seem to have unexpected confidence in the New Frontier makeup of the Commission * * *. This confidence in the Commission also is marked by a sense of freedom from favoritism. Most explorers and producers had rather have an honest, if tough, commission than one which might favor one producer against another, even while siding with producers as a whole against the other segments of the industry and the consumer * * *." (Gas, June, 1962.)

The reaction of investors to our aggressive program for settling pipeline rate cases is expressed in a recent issue of Standard and Poor's:

"From the standpoint of the pipelines, a constructive development is the gradual settlement of rate cases before the Federal Power Commission, which is placing the revenues and profits of many companies on a firm basis for the first time in many years * * *."

Let me make clear at this point that our renewed activities have not been confined to the natural gas field, although the problems in that area have attracted the most public attention. The Commission's national power survey and other programs which I want to discuss in greater detail have had and will continue to have an important impact on the future course of the electric power industry. If our information is correct, there is a new determination in the electric power industry not to be caught lagging in taking advantage of any

opportunities to reduce the cost of generating electricity throughout the country and thus to anticipate, in part, the recommendations of the national power survey.

The Commission is not conducting a popularity campaign, and we are reconciled to the fact that nobody loves a regulatory agency. However, in your concern as to whether the Commission will make effective use of the additional funds we are requesting, it seems to us to be significant that the regulated industries themselves as well as students of our activities believe we are doing an effective, responsible, and constructive job. I think that the record of the Commission in the past year presents ample proof that the Commission, as presently constituted, merits the opportunity to carry out its plans for making the Federal Power Commission an effective tool for carrying out the policies of Congress in the electric power and natural gas fields.

Let me now speak in detail of the Commission's programs, beginning with our natural gas work.

The picture of the Commission's work in the natural gas field in recent years has been of a mountain of cases growing higher and higher as they accumulated faster than they were decided. Of course, we cannot stop the flood of new cases which are constantly being filed with us. In the last fiscal year, the natural gas companies filed 2,000 certificate applications and made almost 8,000 rate filings, every one requiring extensive staff consideration and many involving difficult and extended hearings lasting over a period of weeks or months, or in the past, even years, in which scores of parties participated and in which the record contained thousands of pages of testimony and hundreds of exhibits. We can, however, devise procedures to handle our work so that, given adequate staff, we can complete it on a reasonable timetable, and we have made much progress toward that end in the past year.

Our natural gas work falls into two broad categories "pipelines" and "producers," and I shall discuss them in that order. We have disposed of over 40 major pipeline rate cases in the past year, and ordered refunds of over $150 million. I am happy to report that there are no longer any pipeline rate cases gathering dust on FPC shelves. Every major pipeline rate case is moving along at some stage of the decisionmaking process.

In order to eliminate the backlog of existing cases and permit greater attention to current problems, we have placed major emphasis on securing settlements which are in the public interest. The Commission staff has participated in each of these settlement conferences to insure that the results are consistent with what reasonably could be expected through a formal proceeding. Where this can be accomplished settlements have two important advantages over Commission decision of contested cases. In the first place, the agreed-upon refunds are made at once and the new lower rates are put into effect immediately, eliminating the delays and uncertainties of litigation on appeals to the courts from the Commission's decisions. In the second place, the settlements can, and usually do, include moratoriums on future increases for stipulated periods. In the absence of a voluntary agreement, the companies could file for new increases at any time before or after decision.

Despite the success of our settlement program, there are 76 pipeline cases which are still pending, including some of the largest. The amount of money collected subject to refund in these cases still stands at the staggering figure of well over $900 million, because the accretion month by month of additional amounts in the remaining cases almost offsets the large amounts involved in the cases which have been settled or decided.

I am confident that we are in a position to eliminate this backlog, and I am willing to go on record as predicting that if the Congress will give us the manpower which we are requesting, we will completely eliminate our huge backlog of pipeline rate cases within the next 2 years, and be handling these vital cases on a current basis.

The key to effective natural gas regulation is a workable plan for regulating the natural gas producers. While many people have claimed that producer regulation is impossible, the Commission is pushing forward with a solution to the problem. We have divided the country's gas-producing fields into separate pricing areas and have established interim ceiling prices in each area. We are using these ceilings to limit the prices at which we grant certificates for new gas and we are suspending for the maximum statutory period all rate increases in excess of our ceiling prices. In the meantime, we are pushing forward vigorously with areawide rate proceedings in two of the major gas-producing

areas; one in the Permian Basin in New Mexico and Texas, and the other in southern Louisiana.

The Permian Basin proceeding is the lead case. This proceeding is well along with a target completion date for the hearing in the spring of 1963. An area rate proceeding will enable us in a single proceeding to fix the rates for the many hundreds of producers in an entire gas production area, and will thus eliminate the administrative bottleneck of company-by-company determinations which has obstructed producer regulation thus far. The evidence is presented on an area basis and the same ceilings will apply to all gas in the area, subject perhaps to some minor exceptions.

Our area ceilings have already resulted in a halt in the sharp advance of producer prices in recent years. The latest information from the Bureau of Labor Statistics shows that in the past year the average wellhead price of gas remained virtually stationary at about 16.5 cents per thousand cubic feet.

We have taken many steps to ease the burden of regulation on the small independent producers. By simplifying our rate filings, and most important of all, by our area pricing policy, we have relieved them of the burdens of individual rate proceedings which, in many cases, might cost them more money than they would receive if they were granted the full increases they seek.

We have established the Natural Gas Advisory Council, made up of industry and consumer groups to advise the Commission on current problems.

The Bureau of Natural Gas has been completely reorganized to insure that authority and responsibility are clear all the way down the line. The new organization places the emphasis on staff responsibilities by companies and proceedings.

We found that one of the major causes for delay in the past have been lengthy investigations by the Commission staff in company offices. We are revising our regulations to require the companies to file complete information with us at the time of their rate filings, which will eliminate the need for Commission personnel to spend many weeks examining company books in the field whenever rate applications are filed. We shall, however (assuming that we have the necessary manpower), periodically check the books of the pipeline companies to assure compliance with the Commission's Uniform System of Accounts.

A field office has been established in Houston, Tex., to insure closer supervision over personnel working in the field and to serve as a clearinghouse for the problems of the small independent producers in the area.

We have established an Office of Economics to assist the Commission in planning the future course of regulating the natural gas industry because economic problems go to the core of regulatory policy.

We have increased the use of electronic data processing equipment within the limits of our present budget to help us handle the huge amount of data on costs, gas supply, deliverability, and reserves, which are so vital in our area rate proceedings.

We have outlawed the so-called favored nation and other indefinite escalation clauses which, in a large measure, have been responsible for the runaway increases in producer prices in the past.

All of these measures will help but they will not make our backlog of gas cases disappear. The only sure solution is to set all of the pending cases for hearing and to push them through the decisionmaking process. This will require a substantial increase in our staff. No amount of reorganization or planning can substitute for necessary manpower.

Let me make clear that the additional staff we are requesting is not needed merely to eliminate our backlog of cases. That backlog is a product of the thousands of natural gas rate and certificate filings made with the Commission each year. We need more people to handle these new cases when they are filed, and not years later, or else we will be in much the same position as someone trying to pump the riverbed dry in a flood. Effective regulation is a mirage if it takes years to obtain a certificate or rate relief from the Federal Power Commission. The increased staff which we are requesting is to enable us to make progress not only to eliminate our existing backlog but to make sure that another backlog does not accumulate.

To come back to the figures, for our natural gas program we are asking a total of $6,306,800, or an increase of $1,491,400. This will provide an additional staff of 131 positions: 79 for rate casework, 38 for certificate cases, and 14 for an expanded program of compliance audits of pipeline company accounting practices which is basic to our accelerated system of handling the cases.

We are talking here about the sixth largest industry in the country serving 34 million consumers. The appropriation request amounts to between 15 and 20 cents per customer for an entire year. It is 4 percent of the pipeline rate reductions ordered last year, to use only this single benefit as a measure. The request is modest considered in relation to the magnitude of the industry, the difficulty of the job and the benefits to the consumers. Federal regulation of the interstate aspects of the natural gas industry is the keystone in the system of consumer protection. Without effective regulation of the cost of gas at the wellhead and also of the charges of the pipelines for transporting gas, it is impossible for the State commissions to do an effective job of regulating the price within the local communities.

I agree with the comment in a May 9, 1962, report by the Senate Judiciary Subcommittee on Administrative Practice and Procedure discussing the problem of the Federal Power Commission's backlog of natural gas cases:

Solution of such a problem is not likely to be found in criticism of the hard-working, earnest, and dedicated personnel of the Federal Power Commission.

What we need is more of these hardworking, earnest, and dedicated personnel.

I should like now to discuss our electric power activities. I think the length of time it has taken for me to give you even a thumbnail sketch of our natural gas work indicates what has happened to the Commission's power activities. The flood of natural gas work has diverted so much of the Commission's attention and the Commission's funds that the power work, which was the central function of the Power Commission for many years, has suffered a severe attrition. Our backlog in the electric power work is not one of pending cases, but of neglected responsibilities and pending ideas and programs.

We are determined to seek the funds and devote the time and energy which are necessary for the Commission to carry out its responsibilities under the Federal Power Act. We have new plans and programs which will make clear that this Commission has not forgotten that despite its natural gas responsibilities it is still the Federal Power Commission.

Let me describe first the Commission's national power survey before telling you briefly of some of the other programs for which we are requesting minimum increases in order to breathe new life into the Commission's long-neglected power activities.

One of the functions the Commission has been carrying on for many years is the preparation of interconnection studies, to point up potential savings in the cost of electricity from further coordination of individual electric systems. There have been over 30 such studies and at least half of the recommended interconnections have been built, all on a voluntary basis. However, the work in the past has been done primarily on a local scale. There was no effort within the Commission to carry out, on a broad scale, the responsibility assigned to it in section 202(a) of our statute to encourage the voluntary interconnection and coordination of power systems on a regional and interregional basis.

The Commission is now in the process of remedying the inadequacies of its previous approach by carrying out a coordinated national power survey. This survey can, I think, prove to be the greatest contribution of the Federal Power Commission to the public interest of any activity, either on the gas side or the power side, that it is carrying on. In brief, we are in process of drawing up, for 1970, 1975, and 1980, a general plan for a coordinated system of power supply for the entire country that will link our most economical hydro capacity with large and efficient new steam powerplants by the use of high-voltage and extra-high-voltage transmission lines.

The basic conception of the national power survey, the coordination of the power systems of the country to make best use of the Nation's capital, fuel, and technological resources, is not a new one, but the enormous technological strides of the last decade or two present new opportunities and incentives. The rapid advancement of the art of generation, which has resulted in doubling of the maximum capacity of steam-electric units in only a few years, and the great progress in the technology of extra-high-voltage (EHV) transmission require a new appraisal of the extent to which the national interest would benefit by coordinating the plans of the entire industry for supplying the Nation's loads.

I need not tell this committee the enormous savings in the cost of generating electricity that can be achieved by moving from a 100,000-kilowatt generating unit (and even more from a 25,000-kilowatt unit or 5,000-kilowatt unit, of which many are still being built) to the million-kilowatt unit which has just become available. Likewise, I am sure you are aware of the savings which can be

achieved if large blocks of power are transmitted by a 500- or 700-kilowatt line rather than at 165- or 220-kilovolt, or even 345-kilovolt, because the capacity of a line increases in geometric ratio with the voltage, while the cost is likely to increase in only arithmetic ratio.

In making the survey, we do not start with fixed answers. Hypotheses as to the national economies which can be achieved in various ways will be tested critically as the survey proceeds. The purpose of the survey is not to advance any single solution to the overall problem of meeting the Nation's power requirements in future years, but rather to appraise objectively every possible way of serving the national interest through coordination and integration, and to focus on the national interest in eliminating impediments which prevent effective use of the Nation's electric power resources.

Let me make clear that the Commission's survey will be only a suggested goal or plan and not a blueprint. It will be put into effect only to the extent that the ideas and suggestions in the report commend themselves to the judgment of those who are responsible for operating the various segments of the Nation's system of electric power supply.

I am pleased to be able to say that the Commission is receiving the full cooperation of all segments of the industry—public, private, and cooperative—in carrying on the survey. I doubt that the various elements of the industry have ever before cooperated on such a broad scale in any other project.

Over three score of the leading experts in the electric power field are actively at work on the special technical committees, the General Technical Advisory Committee, and the Executive Advisory Committee which are helping us with the survey. I am attaching a list of the names of these advisers for the information of this committee. More of these experts will be invited to participate as they are needed to help on particular aspects of the survey. These committees are drawn from every part of the industry and every part of the country. They are hard at work drafting reports that will be invaluable to the Commission in its survey report. I think it is fair to say that, to a man, these experts feel that the Commission's survey will be helpful to the industry and they have expressed to me the thought that the opportunity to meet and discuss these problems in groups that cover such a broad range of interests has already been most beneficial to them.

The ultimate purpose of the national power survey is to benefit the consumer. The survey is aimed at the decade beginning in 1970. For that period and beyond, we begin with the premise that low rates start with low costs, and everything that makes possible a reduction in costs by better utilization of energy resources makes possible a reduction in rates. Beyond the consideration of rates alone, the consumer as a citizen has a profound interest in low-cost energy as the foundation for this country's industrial growth and the employment opportunities and rising standard of living which go with it.

We are seeking an increase of $464,000 or 36 positions for our activities under the heading "Electric Power Industry" which includes the national power survey. This activity also includes rate cases and filings, supervision of our uniform system of accounts, the regulation of securities and of interlocking directorates, the study of power requirements and supply, the gathering and analyzing of data on the entire electric industry—interstate, intrastate, public, and private—and the publication of numerous statistical reports based on this data on which the entire industry relies for measures of its problems, programs, and achievements.

Included in this group of activities is the Commission's jurisdiction over the wholesale rates of the public utilities in interstate commerce. While wholesale sales in interstate commerce represent only a small portion of this country's electric power supply, I was surprised to learn when I became Chairman a year ago that the Commission's activities in this area were as insignificant as they turned out to be. It was apparent that wholesale customers by and large did not consider the Federal Power Commission an effective forum in which they could obtain rate relief, and that the congressional intention to regulate electric power rates in interstate commerce had become virtually a dead letter.

There is small wonder that knowledge of the FPC's rate jurisdiction has not been widespread. The Commission's electric rate work in the past has been hidden away in the Bureau of Natural Gas, or, as it was called until a few months ago, the Bureau of Rates and Gas Certificates. The electric rate group—it is not large—has now been located and transferred to the Bureau of Power, where the rate activity will receive the attention it deserves.

We have already begun to exercise our electric rate responsibilities. In recent months, the Commission has suspended several proposed rate changes which in our judgment appeared to be unjustified and several complaints have been filed with the Commission by municipalities concerning their wholesale service or perhaps more accurately their lack of service.

The Federal Power Act gives the Commission the responsibility for providing wholesale customers an effective forum to obtain relief against unreasonable rates and other inequities. In order to carry out these responsibilities, we must have an adequate staff—otherwise regulation exists in name only. This work will grow in volume as customers learn that there is an effective forum where they can obtain relief with respect to sales in interstate commerce at wholesale, and as the increasing integration of the industry leads to greater reliance on interstate transactions.

Another major area of the Commission's power activities is with respect to non-Federal hydroelectric projects. In the past year the Commission has taken major steps to channel its work in this field in a direction which will bring the greatest amount of public benefit for each dollar spent.

We have announced a new policy limiting the term of licenses granted to hitherto unlicensed projects constructed before 1935 to prevent those who have ignored the licensing provisions of the Federal Power Act from obtaining an unmerited advantage. We are making a concerted effort to bring these projects under our regulation. In addition, of course, license applications for new projects continue to be filed and we have reviewed the status of all our existing license cases in an effort to move them toward early conclusion. Actually moving cases along requires more manpower than leaving them on the shelf and as the cases are completed, the number of licensees grows and there is increasing need to supervise compliance with the license provisions.

Another neglected Commission responsibility in the past has been the determination and collection of the amounts due the Federal Government by the owners of non-Federal downstream projects for the benefits they receive from Federal headwater storage projects. We are in the process of establishing a new procedure to simplify these determinations. With sufficient manpower to implement our new ideas, I can assure this committee that in future years the downstream beneficiaries will make annual headwater benefits payments to the Government and that the Treasury will begin receiving payments in the order of millions of dollars a year rather than the trickle of money which has been collected in the past. Money spent in developing workable procedures for securing the payments due the United States for headwater benefits will pay large and continuing dividends.

We are also requesting an increase of five positions for licensed project accounting work. This work includes determinations of initial cost and depreciation and amortization reserves, and we believe it is essential to bring the workload to a more current status. We will confine our efforts to the cases which may have an impact on consumer rates or where licenses will be subject to recapture in the next few years.

For all of these non-Federal hydroelectric activities, we ask $1,891,000, an increase of $235,000. I am sure you understand that fees paid by licensees exceed the total which we are requesting. These fees will be almost $2,100,000 in 1963, exclusive of amounts which will be paid to the Commission in reimbursement of the cost of making headwater benefit determinations and to the United States for the benefits themselves. The money for this work is an investment that will not only bring a full financial return to the Treasury but will pay dividends in a more comprehensive development of the Nation's water resources.

The increased pace of Federal expenditure for river development projects, both by the Bureau of Reclamation and the Corps of Engineers, imposes the responsibility upon the Commission to make its reports and recommendations from the vantage point of its broad national outlook in time to be assimilated in project planning and design. While construction may be stretched out for budget reasons we know from programs which the other Federal agencies have outlined to us that the pace of their planning work will continue to quicken. Timely study of these reports is essential if the Federal Power Commission is to do the job which Congress has assigned it in this important natural resource field. For the Federal river development program, we ask a total of $440,700, an increase of $45,200.

The committee may not be aware of the importance of the role which the Commission plays in the development and appraisal of the hydroelectric projects constructed by the Federal Government. All project reports which are prepared by the planning and construction agencies except TVA are reviewed by the Federal Power Commission before they are submitted to Congress. These agencies rely upon the Federal Power Commission to appraise the power aspects of their projects on the basis of the Commission's broad experience and familiarity with the power economy of the country. The Federal Power Commission has been cast by the Congress in the role of custodian of the Nation's undeveloped hydroelectric resources and each project is reviewed from the point of view of assurance of the fullest use of the power potential of the site consistent with the comprehensive development of all water resource values. Inasmuch as the Commission's reports are made to the other agencies, this is a feature of our work which is little heralded but which is of great concern to present and future generations.

In conclusion I should like to mention an additional item which is extremely important if the Commission is to carry out its regulatory responsibilities effectively. The House committee has imposed a limitation of $10,000 on the amount we can spend for consultants for fiscal 1963. It would be helpful in resolving the many novel and complex problems involved in regulating the natural gas and electric power industries if the Commission could bring in consultants from time to time to counsel with us on these problems. Availability of consultants would also permit us to keep the number of full-time employees to the absolute minimum necessary to perform our work. The limitation of $10,000 imposed by the House committee would seriously impair our ability to use consultants. At the rate of $100 a day, which is about the minimum for any expert on natural gas or electric power matters, we could use only 100 man-days of consultant services for the entire year. This would virtually remove consultants as an effective tool in performing our work. We therefore urge that the $10,000 limitation on the use of consultants be removed.

FEDERAL POWER COMMISSION NATIONAL POWER SURVEY

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THE CHALLENGE OF NATURAL GAS REGULATION—AN ADDRESS BY JOSEPH C. SWIDLER, CHAIRMAN FEDERAL POWER COMMISSION BEFORE THE AMERICAN BAR ASSOCIATION, SAN FRANCISCO, CALIF., AUGUST 6, 1962

The title announced for this talk, which I selected months before I knew what I was going to say, is broad enough to cover anything remotely touching upon the Federal Power Commission's functions in natural gas regulation. Perhaps I should disclose to you now that the corner of this very large field which I shall dwell upon today is the need for improvement in hearing procedures before the Commission.

The current interest in improving administrative procedures represents a healthy reaction to the increasingly apparent need for administrative reform. On all sides there are demands that the procedures in each agency be reviewed critically and objectively with a view to putting into effect whatever reforms may be required to enable them to do their jobs in their particular areas of activities. The establishment by President Kennedy of the Administrative Conference, under the leadership of Judge E. Barrett Prettyman, is perhaps the most important and potentially useful of the many current approaches to administrative improvement. Through the Administrative Conference it is possible to bring to bear upon the problems of Federal administrative agencies the insights and talents of practitioners, judges, and scholars as well as of the responsible officials of administrative agencies.

I do not mean to slight the study and effort which were devoted in the middle forties to the problem of insuring an impartial disposition of cases before administrative tribunals. As a result of this effort, Congress passed the Administrative Procedure Act, which dealt primarily with the problem of the fairness of the administrative process, and particularly with insulating the administrative process in contested proceedings from external pressures.

The present focus is on the efficiency of the administrative process. There need be nothing inconsistent between the objective of fairness in administrative adjudication and the objective of conducting the proceeding in such a way as

to make the best possible use of agency staff and of the counsel and witnesses of the litigants, and to bring the case to a conclusion as soon as the nature of the case permits. On the contrary, a speedy trial is a basic element of fairness in any proceeding and in many types of administrative hearings it is just as true as in judicial hearings that justice delayed is justice denied.

Delay feeds on itself. After a segmented and protracted hearing the facts which were proven are likely to be out of date by the time the case is ready for decision. The "test year" upon which the case has been tried has become ancient history. According to their interests, counsel will urge disposition on a stale record or holding further hearing to consider later operating periods. The hearing examiner, or the Commission itself, is faced with the dilemma of making a decision on a record which is out of date or of starting the case on a new round of hearings.

The natural gas cases before the Federal Power Commission are too important to be permitted to drag on over the years. They are among the most important cases decided before any adjudicative tribunal in the country, judicial or administrative, except for courts of review. Natural gas rate cases involve the gas bills of 34 million consumers throughout the country. The sums of money at stake in rate suspensions in individual cases may accumulate with time so as to be the controlling factor in the financial strength of interstate pipelines and may strongly affect the value of the securities of the many thousands of stockholders in these companies. In the past year, there have been disposed of over a dozen pipeline rate cases each of which involved rate increases of more than $5 million annually collected subject to possible refund. We have still pending before the Commission one pipeline rate case in which the sums collected subject to refund over a period of years approaches the staggering figure of $400 million, and the amount increases at the rate of $9 million a month.

It is obvious that extended delay in these proceedings may cause great damage to all concerned. A company cannot plan its future with assurance and investors cannot determine the value of its securities when the potential refund obligation is equal to a large part of the equity capital. Consumers who have been forced to pay inflated gas bills for many years find little comfort in the refund prospects which are hedged with contingencies, including the ability of the consumer to survive until the refunds are ordered and paid.

The aggregate of money collected by the interstate natural gas pipelines subject to refund in cases pending before the Federal Power Commission is still over $900 million, despite the success of the Commission's settlement program, because the accretion of additional amounts in the remaining cases almost offsets the large amounts involved in the cases which have been settled or decided. There are also pending certificate applications for a billion dollars of pipeline construction. This figure has smaller significance than the refund figure because much of the pipeline construction is covered by temporary authorizations, and some of the rest may represent duplicate facilities or may be disallowed for other reasons. There can be no doubt, however, as to the necessity for speedy disposition of FPC rate and certificate proceedings which have such a broad impact on a basic industry and the consumers it serves.

I am happy to be able to report that we are moving steadily to dispose of the mountain of pending pipeline rate cases and have in recent months ordered refunds of approximately $150 million including one individual case in which the refunds exceeded $40 million. The Commission is determined to clear up its existing backlog of cases and to revise its hearing procedures to insure that future cases are handled with dispatch.

I had the pleasure a few months ago of speaking to the members of the Federal Power Bar Association to which many of you here belong. In my talk I spoke of the vital role of the examiners in moving our cases along with dispatch. The handful of men in the Office of Examiners of the Federal Power Commission are basic to the discharge of the Commission's work. I take this occasion to say that one of the most important contributions which Congress could make to the improvement in the administrative process would be to provide for adequate compensation to examiners in agencies such as the Federal Power Commission where the responsibilities of the examiners are so great and the benefits of improvement would mean so much to the public and to the great industries under FPC regulation. All of the suggestions for administrative reform assume an even greater degree of control of administrative proceedings by the examiner. Implicit in these recommendations is a basis of compensation which will make it possible to hold the excellent examiners already on our staff, and to attract

candidates for examiner positions in whom the Commission could safely lodge broad additional responsibilities.

In my talk before the Federal Power bar I also spoke of the need for the cooperation of the bar in eliminating wasted time and inflated transcripts in proceedings before the Commission. I urged practitioners to exercise restraint in introducing cumulative testimony and proof of limited or doubtful probative value. I urged a double dose of restraint in cross-examination, and especially with respect to evidence which might perhaps have been dispensed with in the first place, pointing out that there was no point to loading a record with a mountain of material which a detached appraisal by counsel at the outset would have convinced him was most unlikely to be of controlling importance in winning his case, whether before the Commission or the courts.

Let me add on this score that cases before the Federal Power Commission are not likely to be won on technicalities. The Commission is just as much impressed with a solid point of law or of administrative policy whether it is based on 10 pages of record or a thousand and its conclusions of law and findings on the facts are not likely to be swayed by cumulative testimony no matter how elaborately developed. Extended arguments with expert witnesses in an effort to persuade them of the falseness of the theories upon which they have built their professional lives add bulk but not light to a transcript. Cross-examination of an expert witness on his qualifications or his testimony, of the kind used in attempting to sway a jury to discount what he says, is wasted in an FPC proceeding.

Sometimes the Commission finds in cases which have been in hearing for many months that basic issues have not been raised and important factual areas have not been touched upon, so that the Commission is required to send the case back for further hearings. We have been forced to conclude that mass cannot be equated with thoroughness or completeness and may in fact represent a poor alternative for a carefully thought-out presentation of a complete basic case.

Let me describe for you the tortuous hearing course of one of our rate cases. The original filing was made in February of 1957. The first hearings were held in April of 1957, recessed to July and continued off and on through the remainder of 1957. Hearings were held in January and February of 1958. The hearings then recessed again to October when a further recess until December was granted, and then yet another recess was granted until January and then further postponed to March, April, and May of 1959. Hearings were finally resumed during May of 1959 and then recessed until September. Three days of hearings were held in September and then the case was recessed until November, at which time it was further postponed to December. In December of 1959 the record was closed on one issue and an examiner's decision on this issue was rendered in May of 1961. The Commission twice heard oral argument on this one issue and issued its final decision in February of 1962. The rest of this case, I regret to say, is still with us.

There is something radically wrong with this way of conducting a rate case. This was a complex case, true enough, but it was not that difficult, nor is its history unique. No one who participated has great reason for pride in the way the case has been handled thus far. I say this although all the counsel involved were able and dedicated and the examiner dealt skillfully with many issues in an elaborate record. The fault was not the fault of the individuals but of the system, or rather lack of system.

Our staff made a recent study of rate investigations, rate filings and abandonment applications. This study showed that from the date of filing to a final decision, it has taken an average of 1,782 days on rate investigations initiated by the Commission, 1,865 days on filings by pipelines for increased rates, and even in abandonment cases, which should be reasonably simple, it has taken an average of 493 days. The average rate investigation has accumulated 3,172 pages of transcript and 868 pages of exhibits. Any system which requires so much time for decision and such voluminous records must contain ample room for improvement.

What happened in these and similar proceedings is water over the dam, or perhaps to this audience I should say gas flared to the atmosphere. It becomes now our responsibility to distill the lesson from what has happened, and to avoid additional administrative monstrosities in the future.

The first conclusion one reaches from a study of the lugubrious record of the case whose 5-year history I have just reviewed, and of many similar cases, is

that they were not planned that way—they just drifted. There was no early definition of the issues; there was no broad stipulation of the readily provable facts; there was no collaboration among the parties on the presentation of proof; there was no schedule of the presentation of testimony; there was no target date for each of the steps and for completion. Without such advance planning and preparation and without advance arrangements for cooperation in the presentation of the case, it is inevitable that there will be waste motion, confusion, and delay, most of which could have been avoided by a well-organized prehearing conference at the inception of the case.

The Commission has long recognized the need for improvement in prehearing conference procedure. In November 1959, the Commission promulgated its Order No. 217 providing for the use of prehearing conferences and the early designation of the presiding examiner. However, Order No. 217 has not been invoked and the attempts to use prehearing conferences have been without great success. I do not know every factor which militated against successful use of such conferences, but I can point out some of the reasons they did not work.

In the first place, I am told that the parties who attended the few conferences that were held went into them with little preparation. Few of the parties were well enough prepared to be willing to agree to the undisputed facts, to identify the issues, or even to plan for an orderly hearing. Moreover, some of the participating counsel seemed to think of an administrative proceeding as a contest in the courtroom skills of counsel. They wanted to save their ammunition to ambush the opposition at the hearing, rather than to lay their forensic guns on the conference table and devote themselves to simplifying and expediting the process of bringing out all the relevant facts.

In addition, examiners were compelled to supervise the prehearing conference with little or no knowledge of the case and, being saddled with a predetermined hearing date, no room in which to operate with the degree of flexibility which I believe is the very essence of a successful use of the prehearing procedure. The prehearing conference was thus merely the anteroom to the hearing maze.

The Commission now proposes to revitalize the prehearing conference procedure. We are impressed by the fact that almost every group that has sought for ways to improve administrative procedures has agreed not only that the prehearing conference can be made a valuable part of the decisional process, but that they are essential to the prompt and effective disposition of complex cases, the kind which abound in the work of the Federal Power Commission. Order No. 217 was adopted as a result of suggestions by the American Bar Association and the Federal power bar. The House Subcommittee on Legislative Oversight strongly recommended that agencies make use of this procedure. Senator Carroll's Judiciary Subcommittee on Administrative Practices and Procedure also recommended it, and the existing administrative conference, on which I am serving as a member, has under consideration strong proposals for more effective use of prehearing conferences.

It appears, therefore, that there is general agreement that prehearing conferences should be beneficial if we can make use of them properly. In order to make a prehearing conference procedure work we must first understand its objectives and then determine precisely how to achieve them.

I believe the first objective of a prehearing conference is to give every party an opportunity to know and evaluate the positions of the other parties. Its purpose is to eliminate the surprise element, which, I submit, has no place in administrative proceedings, and which is being progressively restricted even in Federal court proceedings under the Federal Rules of Civil Procedure, as well as in the courts of many of the States. The obligation of the parties in a prehearing conference is to identify the genuine and substantial issues, to reject the spurious ones at the outset, to stipulate all the relevant facts which cannot honestly be controverted, to arrange for the reconciliation of factual differences where this is feasible, and to list the key matters in factual dispute which can only be resolved in a hearing. Matters which can be fully investigated and resolved without open trial should be eliminated from the hearing.

As a basic step to attaining these objectives, Prof. A. J. G. Priest, of the University of Virginia Law School, in his report to the Administrative Conference, emphasizes the importance of ideintifying the "big" case at the outset, and of the use of the prehearing conference device in these cases. His advice is especially pertinent to the FPC because we have so many big cases and also because we have already perfected techniques for disposing of the routine cases expeditiously. The big cases, once identified, must be assigned to the examiner

at once so as to enable him to provide the necessary control of the proceedings. With the examiner in control, Professor Priest suggests that there must be early definitions of the issues, confinement of discovery within the boundaries of the defined issues, and careful procedural planning.

These are excellent suggestions and I agree with all of them, but to make them work the pleadings must be adequate to permit detailed case analysis when the prehearing conference is held. This has not been required in the past in FPC proceedings, and this defect we propose to remedy. The Federal Power Commission, with the advice of all interested parties, is revising its regulations to provide that original pipeline rate filings shall contain sufficient information to allow all parties to a proceeding to identify the difficult cases, the issues therein, and to prepare their own cases with dispatch. As many of you know, our proposed new rules provide that pipeline rate filings must be so complete as to provide in substance the pipeline's case-in-chief, should suspension of the filing prove necessary. On the basis of the applicant's exhibits and the supporting testimony, our staff and all interveners should at an ealy date prepare and file their own rebuttal exhibits and testimony.

As soon as our staff is ready to present its answer to the filed information of the applicant, an examiner should be assigned but no hearing date should be set.

The examiner could then call a prehearing conference, confident that an analysis of all the submitted evidence will refine and reduce to a minimum the issues which he must decide. Once assigned, the examiner would be in control. If it appeared at the first prehearing conference that some necessary evidence was missing, he could call a short recess to obtain that evidence and then resume the conference. As soon as he felt the issues and evidence had been refined as far as possible, he could set a date for a hearing confined to those matters on which cross-examination appeared to be necessar.

Where analysis of the issues and comparison of the testimony revealed that the differences were small, or lent themselves to compromise, there would be no point to proceeding to trial. The exercise of complete control of the proceedings by a competent examiner who fully understands the unresolved issues is extremely important in deciding for the parties whether a trial or settlement conference is more appropriate as a next step.

I make a final suggestion for expediting hearings which may come as a shock to those of you who have become accustomed to recesses as a way of life in FPC hearings. I suggest a single continuous hearing directed to full cross-examination of all witnesses presented by all parties. Of course, the examiner would have wide discretion in handling the hearing and he might, where circumstances warranted, make use of "during the hearing" conferences. In general, however, once the prehearing conference has been concluded and the hearing scheduled and begun, counsel would be expected to present their entire case without substantial interruption for the preparation of testimony or cross-examination.

It seems to me that the use of continuous hearings is a logical outgrowth of the full filings now required by our regulations and of a revitalized and flexible prehearing conference procedure. Following a full presentation of a written case and an exploration of all issues in a prehearing conference, a continuous hearing should be less burdensome than in a court trial, where a continuous hearing is taken as a matter of course.

It should be clear that the procedure in which all parties will prepare their direct case in advance of a single continuous hearing will greatly deemphasize the role of cross-examination in the proceedings before the Federal Power Commission. This, in my judgment, will be all to the good. I do not mean to say that cross-examination is not an important part of the adversary process but I believe there has been far too much reliance by counsel on the use of cross-examination for making their own case. The new procedures will also have the salutary effect of forcing counsel for all parties to present their facts in a more orderly and concise manner.

Improvement in administrative adjudication means a constant search for improvement at every step of a proceeding. All who participate in a proceeding must be alert to take advantage of opportunities large or small to do a quicker or better job than we are now doing. The small improvements are important in total, but we cannot rely on them alone. We must also be willing to consider and adopt such major and radical changes as I have proposed.

Administrative reform cannot be achieved by any one device or stratagem. It can only result from an unremitting drive for excellence in every phase of the administrative process. An administrative agency is a unit. If the agency as

a whole is deeply motivated to achieve a high standard of performance the results will show at every stage of its work including the conduct of its hearings. Conversely an agency operating on slack standards is not likely to be a model in the handling of its caseload. The Federal Power Commission is aiming at a high quality of administrative performance in every aspect of its work.

I do not doubt that the practitioners before the Federal Power Commission will have their problems of adjusting to the new procedures and quickened pace, many of which they themselves have long advocated. The bar which practices before the Commission is an integral part of the machinery for the discharge of the Commission's adjudicative functions. The bar and the Commission must now help each other in the quest for a system of administrative justice in natural gas cases of which we can all be proud.

COMMITTEE RECESS

Senator MAGNUSON. Thank you all very much.

The committee will recess until 10:30 tomorrow.

(Thereupon, at 6:55 p.m., Wednesday, August 8, 1962, the committee recessed, to reconvene at 10:30 a.m., Thursday, August 9, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

THURSDAY, AUGUST 9, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:40 a.m., in room F–37, the Capitol, Hon. Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson, Hayden, Ellender, Holland, Pastore, Monroney, Allott, Young, and Cotton.

Also present: Senator Gruening.

GENERAL SERVICES ADMINISTRATION

STATEMENT OF BERNARD L. BOUTIN, ADMINISTRATOR, ACCOMPANIED BY LAWSON B. KNOTT, JR., DEPUTY ADMINISTRATOR; ROBERT T. GRIFFIN, ASSISTANT ADMINISTRATOR; WILLIAM P. TURPIN, ASSISTANT ADMINISTRATOR FOR FINANCE AND ADMINISTRATION; J. H. MACOMBER, JR., GENERAL COUNSEL; ROBERT T. DALY, COMMISSIONER, PUBLIC BUILDINGS SERVICE; WILLIAM A. SCHMIDT, DEPUTY COMMISSIONER, PUBLIC BUILDINGS SERVICE; C. D. BEAN, COMMISSIONER, FEDERAL SUPPLY SERVICE; JOHN M. McGEE, DEPUTY COMMISSIONER, FEDERAL SUPPLY SERVICE; DR. ROBERT H. BAHMER, DEPUTY ARCHIVIST OF THE UNITED STATES; WALTER ROBERTSON, JR., ADMINISTRATIVE OFFICER, NATIONAL ARCHIVES AND RECORDS SERVICE; ROBERT B. CONRAD, COMMISSIONER, TRANSPORTATION AND COMMUNICATIONS SERVICE; MALCOLM D. MILLER, DEPUTY COMMISSIONER, TRANSPORTATION AND COMMUNICATIONS SERVICE; MAURICE J. CONNELL, COMMISSIONER, DEFENSE MATERIALS SERVICE; JOHN G. HARLAN, JR., DEPUTY COMMISSIONER, DEFENSE MATERIALS SERVICE; GEORGE K. CASTO, DIRECTOR, PROJECTS ADMINISTRATION DIVISION, DEFENSE MATERIALS SERVICE; L. NEAL FITZSIMONS, STAFF DIRECTOR, PROTECTIVE STRUCTURES DIVISION, OFFICE OF CIVIL DEFENSE; AND WILLIAM N. LAWRENCE, CHIEF, RESOURCES ANALYSIS DIVISION, ECONOMIC AFFAIRS OFFICE, OFFICE OF EMERGENCY PLANNING

LETTER WITH PROPOSED AMENDMENTS

Senator MAGNUSON. The committee will come to order.

We have this morning the General Services Administration. The Administrator, Mr. Boutin, is here, and several of his staff.

We will put your letter in the record in full with the proposed amendments, and justifications.

You have a statement for the committee which we can handle in any way you wish. If you would like to read it to the committee you may, or we will put it in the record in full and take it up item by item. I think that is better.

Mr. BOUTIN. Mr. Chairman, I will leave it to your good judgment.

Senator MAGNUSON. We will put this in the record in full and you can quote from it as you wish.

Mr. BOUTIN. It is a concise statement setting forth the facts as we see them.

(The information referred to follows:)

GENERAL SERVICES ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, August 3, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your letter of July 27, 1962, we request an opportunity to appear before the committee to discuss the effect of changes in the budget estimates of the General Services Administration in the independent offices appropriation bill for 1963, as reported to the House.

At that time, we would like to explain certain amendments to the bill which we will propose. These amendments are being prepared in the customary form and will be delivered to the committee staff in a few days.

Sincerely yours,

LAWSON B. KNOTT, JR.,
Acting Administrator.

ESTIMATES OF APPROPRIATIONS, 1963

ADMINISTRATOR'S GENERAL STATEMENT

Mr. Chairman and members of the committee, it is a particular pleasure for me to come before this committee because of the support it has given to the management concept which brought about the creation of the General Services Administration in 1949. This support has made it possible for GSA to demonstrate in a convincing manner that the mission which Congress assigned to GSA was well conceived and well calculated to produce significant economy in the procurement and distribution of supplies; transportation and traffic management; management of public utility services, including telecommunications; the acquisition, construction, operation, and maintenance of public buildings, and other general purpose space; the utilization of available property; the disposal of surplus property; and records management. The increasing scope and volume of the services GSA is rendering to the agencies we serve each year testifies to its acceptance in the Federal family. Their greater reliance on GSA to perform the support functions is enabling the agencies to direct their attention to the accomplishment of their primary missions.

GSA's portion of the President's budget for fiscal year 1963 was $586,409,000, including $8.8 million to be derived from proceeds of the sale of surplus property. While this budget took into account the increasing demand for GSA's services and the increased cost of some of the commodities and services required for the total undertaking, it recognizes the basic principle that in substantially all areas of our services the unit cost declines with a corresponding increase in volume. Events occurring since the preparation of the budget have increased rather than lessened our responsibilities and have strengthened our firm belief that any reduction in most of our appropriation requests will of necessity cause agencies funded for continuing and expanded programs to provide independently the logistical support they now rely on GSA to render.

H.R. 12711 as passed by the House provides $522,082,000, including $26,500,000 to be derived from sales proceeds, or a reduction of $64,327,000 in our budget. The amendments to the House bill set forth in the documents now before this

committee will provide $586,033,000, including $41,235,000 to be derived from sales proceeds, or a reduction of $376,000 from our budget estimates. Briefly, the proposed amendments to the House bill call for the restoration of the following amounts:

PUBLIC BUILDINGS SERVICE

The amount of $12,400,000 for operating expenses, PBS, which is needed to operate and maintain our buildings, including payment of wage board salary increases, utilities, and additional leased space obtained by GSA during fiscal year 1962 on a reimbursable basis and which becomes the financial obligation of GSA in fiscal year 1963 and subsequent years.

The amount of $20,845,000 for construction of public buildings. This includes $3,340,000 for fallout shelters in public buildings, a program which has the full support of the administration. It is our firm belief that failure to restore this reduction may mean the difference between awarding construction contracts for these projects during the year and postponing them to await the appropriation of sufficient money to award contracts.

The amount of $5,500,000 for sites and expenses to permit us to move forward on all but one of the new construction projects fully authorized by both House and Senate Public Works Committees during the current session of the Congress.

FEDERAL SUPPLY SERVICE

The sharp increase in sales through our supply system is largely attributable to the expanded supply support we are now providing the Department of Defense. For the last 2 years, our supply support through stores depots has increased by about 25 percent each year. To support this activity, it is essential that the original budget estimates of $42,683,000 for operating expenses, FSS, and $17 million for capital of the general supply fund be appropriated by the Congress.

NATIONAL ARCHIVES AND RECORDS SERVICE

The critical shortage of space in the National Archives can be partly relieved through a modest annual program of microfilming. The proposed amendment would restore the $450,000 reduction by the House so as to proceed with development of an orderly microfilming program and to handle increased workload in our records centers.

TRANSPORTATION AND COMMUNICATIONS SERVICE

The TCS program is directly related to the expanded DOD supply support program in that transportation workload increases with the FSS supply support activity. For every dollar GSA spends in traffic management a savings of about $14 accrues to the agencies we serve. The $338,000 restoration would permit us to handle the workload and provide a full year's staffing for the civil agency communications system begun in fiscal year 1962.

DEFENSE MATERIALS SERVICE

We are requesting $32,735,000 for the strategic and critical materials program which is $5,265,000 less than the budget estimate. We agree with the House that this can be financed from proceeds from sales of surplus materials. However, our amendments call for $14,735,000 more than the House allowance to provide primarily for relocation and rotation of materials, and expenses of disposal activity during fiscal year 1963. In connection with these disposals, we wish to emphasize that GSA has and will continue to press for disposal of excess materials at as rapid a rate as is possible without disrupting market prices and normal trade practices.

ADMINISTRATIVE OPERATIONS

Centralized staff services for all GSA programs are provided through the administrative operations fund. Each appropriation contributes a proportionate share to the AO fund for these services. Increased program responsibilities must be matched by allowances for administrative operations if effective and necessary support of programs is to be furnished.

The ratio of staff costs to program costs has historically shown a decrease as a result of improved methods of operation and better management. This trend

was reflected in our estimates. The House approved increases in various programs for 1963 but held the limitation amount for administrative operations to approximately the 1962 level. Restoration of the House reduction in the limitation amount is necessary if we are to render the basic accounting, legal, personnel, and other staff services required by operating programs.

GENERAL PROVISIONS

The Independent Offices Appropriation Act, 1960, and subsequent years, contained a general provision enabling the Administrator of General Services to use for specified purposes the residual appropriation account for construction of public building projects accruing from successful contracting for the construction of public buildings for amounts less than the appropriation. These so-called construction savings have been used to acquire selected buildings under lease to the Government where it was advantageous to do so, to prepay purchase contracts entered into under the Public Buildings Purchase Contract Act of 1954; for the extension and conversion of Government-owned buildings, many of which were reported to GSA as excess to the needs of the Department of Defense, and for the construction of public building projects approved pursuant to the Public Buildings Act of 1959. The availability of this authority has made it possible for us, in the furtherance of good management practices, to take timely advantage of situations which afford economies where authority for immediate action exists. It was through this authority that we have been able, since our appropriations hearings before the House committee in February, to award a contract for the construction of a border station at Sault Ste. Marie, Mich., in time to coordinate its completion with the opening of a new international bridge between the United States and Canada in November of this year. Furthermore, our appropriation request for construction of public buildings pending before this committee has been reduced by $251,100, which the House included for this project pursuant to an authorization under the Public Buildings Act of 1959 obtained in June 1961. We do not believe that this authority has been abused. Its restoration will continue to make it possible to take advantage of opportunities for timely action within the framework of available appropriated funds.

The special attention of the committee is invited to the inclusion of language in the House-passed bill (lines 11–22, p. 29) which drastically affects GSA's ability to carry out in an orderly and economic manner that portion of its space management function handled through the leasing of office, warehouse, laboratory, and similar space. We believe that we should own and operate general-purpose space needed for permanent programs of the agencies we serve and, in accordance with the Public Buildings Act of 1959, we are continuously investigating and surveying the public building needs of the Federal Government and submitting to the Congress prospectuses for proposed projects in accordance with the provisions of the act. However, despite major strides that have been and are being made in the provision of Government-owned public buildings authorized pursuant to the Public Buildings Act, the funding of authorized projects for construction has not and probably will not within the foreseeable future keep pace with the critical need which had its genesis in the lack of public buildings construction during the 15 years between 1940–55. Until some of this deficit in public buildings construction is overcome, we must continue to meet a larger amount of our space needs through leasing transactions than would be our purpose otherwise.

Congress has recognized that, as in commercial transactions, the Government is able to effect economies when it enters into longer term leases and, therefore, during the past 5 years has successively amended our leasing statute so as to increase the term of leases from 5 to 10 years, and then from 10 to 20 years. This leasing statute expressly authorizes the Administrator to enter into lease agreements "on such terms as he deems to be in the interest of the United States and necessary for the accommodation of Federal agencies in buildings and improvements which are in existence or to be erected by the lessor for such purposes." The Public Buildings Act of 1959, which increased the authority for the term of such leases from 10 to 20 years, expressly provided that nothing in the act was to limit or repeal existing authorizations for the leasing of buildings by and for the use of GSA. Lease rentals agreed upon are still subject to the limitations provided in the Economy Act of 1932. As Administrator of General Services, I personally approve any lease involving a firm term of 5 years or more. We believe that much can be done to improve the efficiency of space use and

governmental operations if we can consolidate a number of our scattered leased locations in metropolitan centers. However, we believe that the crippling House amendment will make it extremely difficult, if not impossible, to render the service in space management that GSA was created to perform, and which the President expects of us under Executive Order 11035 (July 9, 1962) increasing the authority and responsibility of GSA in the field of space management. Since the amendment is pointed toward buildings to be erected by the lessor for lease to the Government, it will prolong a situation in which we are forced to lease small lots of space in Washington and elsewhere at the price space in short supply commands. We are prepared to give this or any other committee of the Congress an accounting of our stewardship in the exercise of this or any other authorities vested in the Administrator, but we believe that the imposition of roadblocks to the exercise of reasonable authority will defeat the economic objectives which prompted the creation of the agency.

Mr. Chairman, we believe our proposed amendments are well justified and we respectfully seek their approval by your committee.

Status of estimates of appropriations, 1963

[In thousands of dollars]

Appropriation items	Budget estimates	House bill (passed)	Change in House bill	Requested	
				Restoration	Total
Operating expenses, PBS	187,400	175,000	−12,400	12,400	187,400
Repair and improvement	65,000	65,000			65,000
Construction, public buildings projects fallout shelters (included above)	170,481	155,325	−15,156	20,845	176,170
	(3,290)	0	(−3,290)	(3,340)	(3,340)
Sites and expenses, public buildings projects	22,000	16,500	−5,500	5,500	22,000
Payments, public buildings purchase contracts	5,440	5,440			5,440
Additional court facilities	9,000	8,500	−500		8,500
Operating expenses, FSS	42,683	40,000	−2,683	2,683	42,683
General supply fund (additional capital)	17,000	10,000	−7,000	7,000	17,000
Operating expenses, UDS (from proceeds)	8,800	8,500	−300		8,500
Operating expenses, NARS	14,500	14,050	−450	450	14,500
Operating expenses, TCS	4,435	4,097	−338	338	4,435
Strategic and critical materials (appropriation) (from proceeds of sales)	38,000	0	−38,000		
		18,000	+18,000	14,735	32,735
Salaries and expenses, Office of administrator	1,350	1,350			1,350
Allowances, etc., former Presidents	320	320			320
Administrative operations fund (limitation)	(12,131)	(11,100)	(−1,031)	(1,031)	(12,131)
RFC liquidation fund (limitation)	(25)	(25)			(25)
Total	586,409	522,082	−64,327	63,951	586,033
Deduct amount from sales proceeds	−8,800	−26,500	−17,700	−14,735	−41,235
Totals as reported to House	577,609	495,582	−82,027	49,216	544,798

GSA Amendment No. 1

OPERATING EXPENSES, PUBLIC BUILDINGS SERVICE

PROPOSED AMENDMENT

On page 16, line 11 of the bill as reported to the House, strike out "$175,000,000" and insert in lieu thereof "$187,400,000."

BUDGETARY DATA

1963 budget estimate		$187,400,000
1962:		
Appropriation in annual act	$173,000,000	
Supplemental estimate (annualization 1961 wage board increases)	1,789,000	
Transfers, net	4,960,717	
		179,749,717
Change in 1963 from 1962		+7,650,283
1963 bill as reported to House		175,000,000
(Change from budget estimate)		(12,400,000)
Restoration proposed by this amendment		+12,400,000
Bill as changed by this amendment		187,400,000

LEGISLATIVE HISTORY

GSA budget justifications: Pages I–14 to I–47.

House hearings: Part 2, pages 135 to 193.

House Report No. 2050: Page 9, "Operating expenses, Public Buildings Service.—The bill provides $175 million for the basic real property operations of GSA. This is a reduction of $12,400,000 in the budget estimate and provides about the same level of operation as in 1962.

"For several years the committee has increased its concern for the rising cost of leasing and operating space for civilian agencies of the Government. Operating expenses for the Public Buildings Service have increased from the appropriation of $103.7 million in 1956 to a requested $187.4 million for 1963. During this period Federal civilian employment has increased less than 3 percent and many new Federal buildings have been completed thus eliminating the cost of expensive leased property, yet the costs in recent years have increased sharply and the estimate for 1963 is 80 percent higher than the appropriation 7 years ago * * *."

JUSTIFICATION OF THE AMENDMENT

Based on the new policy adopted in fiscal year 1962, prescribed in Bureau of the Budget Bulletin 61–4, dated November 10, 1960, the departments and agencies are required to justify and obtain appropriations for the first year's cost of space expansion. Transfers are then made from the other agencies' appropriations to GSA appropriation "Operating expenses, Public Buildings Service."

In line with this financing policy, effective with fiscal year 1962, GSA no longer requests appropriations for first-year cost of space expansion for other agencies. The Appropriations Committees were advised of this change in financing policy in the justification of GSA's 1962 estimates, and by letter dated February 27, 1961, from the Director, Bureau of the Budget, to chairman, House Appropriations Committee. (See p. 877, pt. 1 of House hearings on independent offices appropriations for 1962.)

The 1963 OE–PBS estimate includes $12.4 million to cover the full-year cost of expansion space acquired for agencies representing: $4.8 million for cost of leases formerly paid for by other agency appropriations; $4.4 million for part-year cost in 1962 of expansion space acquired for agencies, originally paid for by appropriation transfers; and $3.2 million to provide for the cost of annualization of this expansion space for the complete fiscal year 1963.

The reduction of $12.4 million by the House committee represents the amount required to pay for this space, a major portion of which is under contract and

occupied by the agencies. This $12.4 million is not an increase requested in 1963 but represents the annualized cost of space expansion formerly financed from other agency appropriations, approved by Congress in 1962 and prior years. A comparable reduction is reflected in appropriation estimates of the other agencies involved.

All items of increase included in the 1963 estimate are mandatory cost items, such as wage board increases, increased utilities consumption, and operation of new buildings. Therefore in the event restoration of the House action is not made, drastic reductions will have to be effected in the level of services currently being provided in GSA controlled space.

Inasmuch as 50 percent of the cost of building operations are fixed items which cannot be reduced such as cost of service contracts, rents, electricity, fuel and other utilities, the $12.4 million reduction represents 14 percent of the remaining items of cost for essential building services. For example, cleaning services provided in 1962 were already more than 20 percent below the accepted commercial standards. To reduce the level of cleaning in these buildings which are currently cleaned by Government employees, to the extent that would be required if the House reduction is sustained, would result in conditions which would be intolerable to the tenants with the possible creation of health, fire, and safety hazards.

If restoration of the $12.4 million is not made, a reduction in the custodial force would be required and could approximate 3,000 in average employment for the year.

The restoration of the full $12.4 million is strongly recommended.

GSA Amendment No. 2

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS

PROPOSED AMENDMENT

On page 18, line 3, of the bill as reported to the House, insert after "including" "fallout shelters therein and".

BUDGETARY DATA

None applicable, see GSA Amendment No. 3.

LEGISLATIVE HISTORY

GSA budget justifications: Page I–88.
House hearings: Part 2, pages 133–134, 214–217, 222–226.
House Report No. 2050: No mention in GSA section.

JUSTIFICATION OF THE AMENDMENT

Restoration of this language is recommended in order that fallout shelters may be provided in selected buildings, detailed in amendment No. 3. This provision in Federal buildings is consistent with the administration's position on a national shelter program.

The prospectuses approved by the Public Works Committees for selected projects include provision for fallout shelter protection in all cases except Marianna, Fla., Macon, Ga., and Charlottesville, Va. Revisions of these three prospectuses are in process.

The estimates are in line with the requirements prescribed by Office of Civil Defense, Department of Defense.

GSA Amendment No. 3

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS

PROPOSED AMENDMENT

On page 18, line 3, of the bill as reported to the House, strike out "$155,325,000" and insert in lieu thereof "$176,170,000".

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BUDGETARY DATA

1963 budget estimate	$170,481,000
1962 appropriation in annual act	188,946,500
Change in 1963 from 1962	−18,465,500
1963 bill as reported to House	155,325,000
(Change from budget estimate)	(−15,156,000)
Restoration proposed by this amendment	+20,845,000
Bill as changed by this amendment	176,170,000

LEGISLATIVE HISTORY

GSA budget justifications: Part I–84 to I–101.

House hearings: Part 2, pages 205 to 227.

House Report No. 2050: Pages 9–11, "Construction, public buildings projects: The Committee recommends $155,325,000 for 33 new public buildings construction projects and 12 major alterations at the locations listed in the following table.

Public buildings projects included in the bill:

"Location	Site and expenses (previously funded)	Construction cost	Total
Juneau, Alaska	$1,690,000	$11,240,900	$12,930,900
Nogales, Ariz	838,000	976,500	1,814,500
Bakersfield, Calif	124,000	1,283,400	1,407,400
Calexico, Calif	56,000	282,700	338,700
Denver, Colo	419,000	4,325,000	4,744,000
Wallingford, Conn	267,000	818,400	1,085,400
Gainesville, Fla	396,000	2,132,500	2,528,500
Marianna, Fla	87,000	507,800	594,800
Tampa, Fla	1,018,000	2,206,900	3,224,900
Macon, Ga	780,000	3,534,800	4,314,800
Porthill, Idaho	24,000	114,400	138,400
Seymour, Ind	178,000	445,500	623,500
Owensboro, Ky	42,000	274,300	316,300
New Orleans, La.:			
FOB	125,000	1,199,700	1,324,700
PO CT	243,000	3,375,000	3,618,000
Augusta, Maine	310,000	2,418,000	2,728,000
Houlton, Maine	58,000	311,500	369,500
Boston, Mass	1,942,500	26,544,100	28,486,600
Webster, Mass	131,000	382,200	513,200
Grand Rapids, Mich	94,000	685,400	779,400
Sault Ste. Marie, Mich	42,000	251,100	293,100
Pigeon River, Minn	41,000	275,300	316,300
Clarksdale, Miss	419,000	1,140,200	1,559,200
Kansas City, Mo	2,930,000	29,189,000	32,119,000
Grand Island, Nebr	42,000	299,500	341,500
North Platte, Nebr	329,015	1,413,600	1,742,615
Reno, Nev	485,000	3,241,000	3,726,000
Concord, N.H	516,000	3,120,100	3,636,100
Albuquerque, N. Mex	2,045,000	6,786,200	8,831,200
Fayetteville, N.C	455,000	1,980,000	2,435,000
Grand Forks, N. Dak	45,000	302,200	347,200
Canton, Ohio	750,000	2,450,500	3,200,500
Oklahoma City, Okla	85,000	738,400	823,400
Tulsa, Okla	2,527,000	7,281,900	9,808,900
Westerly, R.I	284,500	459,400	743,900
Pierre, S. Dak	469,000	2,430,100	2,899,100
Sioux Falls, S. Dak	528,000	2,511,000	3,039,000
Winchester, Tenn	226,000	847,200	1,073,200
Austin, Tex	1,955,200	9,062,800	11,018,000
Del Rio, Tex.:			
BS	42,000	279,000	321,000
BPS Hq	52,000	427,800	479,800
Houston, Tex	125,000	1,295,500	1,420,500
Ogden, Utah	879,900	4,398,900	5,278,800
Charlottesville, Va	162,000	2,019,000	2,181,000
Cheyenne, Wyo	1,137,000	4,566,300	5,703,300
Small projects outside the District of Columbia	80,000	500,000	580,000
Chicago, Ill., additional		5,000,000	5,000,000
Total	25,474,115	155,325,000	180,799,115

The agency officials testified during the hearing that the projects contain a 5-percent contingency. The committee has eliminated fallout shelters and generally reduced each project by 7 percent. In the past the reduction has been from 5 to 15 percent. The budget estimates for new projects were compared with the actual costs experience for representative projects that have been completed or are under construction. The average cost per square foot of the completed projects was $20.95 compared to $25.88 for the new projects, excluding the Denver warehouse. The committee further notes that the construction cost index rose only 2.8 percent from 1959 to 1961 and there is no indication of a precipitous increase now.

"The committee notes there is too much lost space in many buildings. One big building in the planning stage has 2,376,000 gross square feet and the net assignable square feet is only 1,474,000. Better space utilization is essential. There is general talk among authoritative contractors that they can build 20 to 25 percent cheaper than the Government. There is no valid reason why the costs cannot be reduced.

"The prospectuses for all projects in the bill have received the necessary approvals required by law. As to individual projects the committee has reduced the cost of the GSA stores depot at Denver Colo., from $8.04 per square foot to $6, which the committee considers a more realistic figure for warehouse construction. The courthouse and Federal office building at Billings, Mont., has been deleted as there is adequate rental space in the locality at reasonable rates and the construction cost of the proposed building is so high as to raise serious question of its economic soundness."

JUSTIFICATION OF THE AMENDMENT

This amendment proposes an increase in appropriation above that reported to the House to reflect the effect of other amendments which GSA is proposing elsewhere under "Construction, public buildings projects," as set forth in the table below:

Project location	Amounts provided in House bill	Add		Restored or deleted projects	Proposed in this amendment
		Restore fallout protection	Restore cost levels		
Juneau, Alaska, PO, CT	$11,240,900	$203,000	$846,100		$12,290,000
Nogales, Ariz., BS	976,500		73,500		1,050,000
Bakersfield, Calif., FOB	1,283,400	64,000	96,600		1,444,000
Calexico, BPS	282,700		21,300		304,000
Denver, Colo., GSA Stores Depot	4,325,000	136,000	1,470,000		5,931,000
Wallingford, Conn., PO, etc	818,400	48,000	61,600		928,000
Gainesville, Fla., PO, CT	2,132,500	83,000	160,500		2,376,000
Marianna, Fla., PO, CT	507,800	36,000	38,200		582,000
Tampa, Fla., FOB	2,206,900	84,000	166,100		2,457,000
Macon, Ga., PO, FOB	3,534,800	107,000	0		3,641,800
Porthill, Idaho, BS	114,400		8,600		123,000
Chicago, Ill., CT, FOB (increase)	5,000,000				5,000,000
Seymour, Ind., PO, etc	445,500	35,000	33,500		514,000
Owensboro, Ky., PO, CT	274,300		20,700		295,000
New Orleans, La:					
FOB	1,199,700		90,300		1,290,000
PO, CT	3,375,000		254,000		3,629,000
Augusta, Maine, PO, FOB	2,418,000	86,000	182,000		2,686,000
Houlton, Maine, BPS HQ	311,500		23,500		335,000
Boston, Mass., FOB	26,544,100	351,000	1,997,900		28,893,000
Webster, Mass., PO	382,200	18,000	28,800		429,000
Grand Rapids, Mich., PO, CT	685,400		51,600		737,000
Sault Ste. Marie, Mich., BS	251,100			−$251,100	0
Pigeon River, Minn., BS	275,300		20,700		296,000
Clarksdale, Miss., PO, CT	1,140,200	59,000	85,800		1,285,000
Kansas City, Mo., FOB	29,189,000	395,000	2,197,000		31,781,000
Billings, Mont., CT, FOB	0	132,000	0	5,624,000	5,756,000
Grand Island, Nebr., PO, CT	299,500		22,500		322,000
North Platte, Nebr., PO, CT	1,413,600	68,000	106,400		1,588,000
Reno, Nev., CT, FOB	3,241,000	105,000	244,000		3,590,000
Concord, N.H., PO, CT	3,120,100	104,000	234,900		3,459,000
Albuquerque, N. Mex., CT, FOB	6,786,200	153,000	510,800		7,450,000
Fayetteville, N.C., PO, CT	1,980,000	80,000	149,000		2,209,000
Grand Forks, N. Dak., PO, CT	302,200		22,800		325,000
Canton, Ohio, PO, FOB	2,450,500	87,000	184,500		2,722,000
Oklahoma City, Okla., PO, CT	738,000		55,600		794,000
Tulsa, Okla., PO, FOB	7,281,900	158,000	548,100		7,988,000
Westerly, R.I., PO, etc	459,400	33,000	34,600		527,000
Pierre, S. Dak., PO, CT	2,430,100	86,000	182,900		2,699,000
Sioux Falls, S. Dak., PO, etc	2,511,000	88,000	189,000		2,788,000
Winchester, Tenn., PO, CT	847,200	50,000	59,000		956,200
Austin, Tex., PO, FOB	9,062,800	164,000	682,200		9,909,000
Del Rio, Tex.:					
BS	279,000		21,000		300,000
BPS HQ	427,800		32,200		460,000
Houston, Tex., PO, CT	1,295,500		97,500		1,393,000
Ogden, Utah, CT, FOB	4,398,900	123,000	331,100		4,853,000
Charlottesville, Va., new building	2,019,000	80,000	152,000		2,251,000
Cheyenne, Wyo., PO, CT	4,566,300	124,000	343,700		5,034,000
Small projects outside District of Columbia	500,000				500,000
Total	155,325,000	3,340,000	12,132,100	5,372,900	176,170,000

The foregoing includes: (1) $3,340,000 for fallout shelter protection; (2) $10,662,100 to restore the general 7-percent reduction in cost estimates made by the House; (3) restoration of $1,470,000 in the limit of cost of the Denver, Colo., GSA stores depot; (4) $5,624,000 for the restoration of the Billings, Mont., courthouse and Federal office building project (fallout amount included in (1) above); and (5) deletion of $251,100 for Sault Ste. Marie, Mich., border station included in House bill.

The amount of $3,340,000 is recommended for restoration for providing fallout shelters in 30 construction projects. This is in line with the OCD policy of providing fallout shelters where appropriate in Federal buildings.

With respect to the general cost reduction for each project, the House Report No. 2050 on page 10 states "The committee has eliminated fallout shelters

and generally reduced each project by 7 percent. In the past the reduction has been from 5 to 15 percent." In this connection, it is to be noted that the limits of cost included in budget have already been reduced by an average of 7.8 percent below the estimates included in the prospectuses approved by the Public Works Committees. The limits of cost for improvements in the approved prospectuses for the 45 projects total $185.2 million; whereas the limits of cost as recommended in the appeal total $170.7 million, a reduction of $14.5 million or approximately 7.8 percent.

The committee report on page 10 also states "The committee further notes that the construction cost index rose only 2.8 percent from 1959 to 1961 and there is no indication of a precipitous increase now." The estimates for the projects included in the 1963 budget were prepared in the early part of 1961. The construction cost indexes indicate an approximate increase of 3.2 percent from January 1961 to July 1962. The greatest increase of the indexes has occurred since January 1962. The present rate of increase is 0.3 percent per month or 3.6 percent per year. The past increase of 3.2 percent plus the anticipated rise of 3.6 percent per year totals approximately 6.8 percent for the average time required to place the projects under contract since the estimates were prepared.

Since the latter part of May construction bids were received for five projects only two of which could be awarded within the funds available. It was necessary to reject bids for two projects; Chicago, Federal office building and courthouse; and Montpelier, Vt., Federal office building, as the limits of cost were insufficient to permit award and will require increases in the limits. An increase of 8 percent was required in the limit of cost for the Statesboro, Ga., project in order to permit award of the construction contract. The average cost per gross square foot for these five projects, based on bids received, is $28.09.

As a specific example of problems and difficulties encountered, as well as additional costs that accrue to the Government when appropriations are inadequate, we cite our recent experience in this connection with regard to the Chicago, Ill., Courthouse and Federal Office Building, approved by the Public Works Committees.

Limit of improvement costs in prospectus approved by Public Works Committees		$44,230,000
Amount in President's budget, fiscal year 1962		39,210,000
Amount appropriated		36,793,000
Foundation contract and total project contingencies		−8,235,000
Balance available for building construction		28,558,000
Bids received:		
1st low bid	$34,330,000	
2d low bid	34,340,000	
3d low bid	34,486,000	
High bid	35,785,940	
Deficiency in limit of cost		5,772,000

This deficiency exceeded the 10-percent flexibility authorized under existing legislation. All bids were rejected and drawings are being revised to reduce costs where possible in order that a contract may be awarded within the limit of cost of $41,793,000 proposed in the pending Independent Offices appropriation bill which includes a $5 million increase for this project.

A delay of 6 months in completion of this project is expected as it will not be possible to award a contract until November or December 1962 due to time required to revise the drawings, bidding time, etc.

As a result of the foregoing, the Government will incur approximately $1,100,000 in additional costs for retention of leased space expected to be given up, redesign and readvertising expenses, and increased construction costs.

The following is cited from page 10 of the House report: "The committee notes there is too much lost space in many buildings. One big building in the planning stage has 2,376,000 gross square feet and the net assignable square feet is only 1,474,000. Better space utilization is essential. There is general talk among authoritative contractors that they can build 20 to 25 percent cheaper than the Government. There is no valid reason why the costs cannot be reduced."

The following comments are submitted in this connection: A study made by GSA of the net to gross relationship for recent projects indicated that the buildings planned and constructed in our present program compare very favorably with similar buildings in private industry when figured on a comparable basis.

The building mentioned in the House committee report refers to the proposed FBI Building which reflects a net to gross relationship of 62 percent in the prospectus recently approved by the Public Works Committees. These figures were developed from the very earliest planning stage and do not reflect the efficiencies that could be gained after the complete study the plan would receive during the design stage of the architectural contract. The building in question will contain certain specialized laboratory features which reflect adversely on its net-to-gross ratio and will also have greater corridor areas to accommodate the large number of visitors who annually visit the headquarters of the FBI.

Billings, Mont., courthouse and Federal office building

In 1961 funds in the amount of $612,000 were made available under the "Sites and expenses" appropriation for preliminary expenses, including the acquisition of a site and for the preparation of drawings and specifications. A site was acquired at a cost of $239,000 and contracts were awarded for the design, surveys, etc., at a total cost of $208,000. The drawings and specifications are nearing completion and a construction contract is scheduled for award in October 1962.

The proposed building would provide a direct economic benefit as leased space currently occupied by Federal agencies costs the Government approximately $278,000 per annum. The original cost of the proposed building at Billings, plus the cost of maintenance and repair during life expectancy, would be less than the rental cost during a like period even if no increase in rental rate is assumed and if the continued availability of adequate commercial space is assumed.

Sault Ste. Marie, Mich., border station

The amount of $251,100 included in the House bill is recommended for deletion as a contract for the construction of this border station was awarded on June 6, 1962, financed from construction savings pursuant to authority contained in Public Law 87–141. It was necessary to award a contract for this project in June in order that the building could be ready for occupancy by November 1962 when the new International Bridge at Sault Ste. Marie, Mich., is scheduled to be completed and opened to traffic.

Denver, Colo., GSA stores depot

The drawings and specifications for the Denver, Colo., stores depot have been completed and bids can be solicited as soon as construction funds are made available. Funds for construction in the amount of $5,931,000 were included in the 1963 budget. In order to insure the receipt of acceptable bids, alternate deduct proposals have been included in the bidding documents. A review of the drawings and specifications indicate that it is not feasible to reduce the project requirements and provide a workable facility within the amount included in the House bill.

An allowance of $6 per square foot would permit construction of a warehouse suitable only for "static" storage use. It would provide minimum heating, lighting, and other facilities and would not include such items as paved areas for loading and unloading trucks and trackage for the accommodation of railway cars.

A warehouse-type facility adequately equipped to house an active stores distribution operation such as planned for Denver requires additional items such as 10,400 square feet of office and laboratory space, including equipment; 4,106 square feet of refrigerated storage space; 45,450 square feet of space for storage of flammable liquids; 19,200 square feet of humidity controlled storage; built-in automatic materials handling equipment; dock levelers; extensive paved areas; railway trackage; added fire protection construction and equipment; and larger areas of column-free space. These additional facilities and design requirements are the elements which render the Denver project cost slightly in excess of $8 per square foot.

Restoration of the reduction of $1,470,000 in improvement costs and $136,000 for fallout protection is recommended in order that this project may be constructed based on the completed drawings and specifications.

GSA Amendments Nos. 4 Through 49

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS

PROPOSED AMENDMENT

On page 18, lines 12, 13, 15, 16, 17, 18, 20, 22, and 24, and on page 19, lines 2, 3, 5, 6, 10, 12, 14, 16, 18, 20, 21, 22, 23, and 25, and on page 20, lines 1, 2, 4, 5, 6, 8, 10, 12, 14, 16, 18, 20, 22, and 24, and on page 21, lines 2, 4, 6, 8, 10, 12, 13, 15, 17, 19, 21, 22, 23, and 24 of the bill as reported to the House, strike out the limits of cost on each public building project and insert the appropriate amounts shown in the table which follows.

BUDGETARY DATA

See amendment No. 3.

LEGISLATIVE HISTORY

GSA budget justifications: Pages I–84 to I–101.
House hearings: Part 2, pages 205 to 227.
House Report No. 2050: Pages 9–11 (quoted in GSA amendment No. 3).

JUSTIFICATION OF THE AMENDMENTS

Amendments Nos. 4 through 49 are directed toward increasing the limits of cost for certain projects to provide for the construction of fallout shelters, where appropriate, to comply with requirements of the national shelter policy (see amendments Nos. 2 and 3); restoration of the 7-percent reduction in cost estimates made by the House; restoration of the limit of cost for the Denver, Colo., stores depot; restoration of the Billings, Mont., courthouse and Federal office building, and deletion of the Sault Ste. Marie, Mich., border station (see amendment No. 3).

The individual amendments proposed are listed on the following page in numerical sequence.

Bill reported to House		Location of project	Amount in budget estimate	GSA proposed amendments		
Page	Line			Strike out	Insert in lieu	GSA No.
18	12-13	Juneau, Alaska	$12,290,000	$11,240,900	$12,290,000	4
	15	Nogales, Ariz	1,050,000	976,500	1,050,000	5
	16-17	Bakersfield, Calif	1,444,000	1,283,400	1,444,000	6
	18	Calexico, Calif	304,000	282,700	304,000	7
	20	Denver, Colo., GSA stores	5,931,000	4,325,000	5,931,000	8
	22	Wallingford, Conn	928,000	818,400	928,000	9
	24	Gainesville, Fla	2,376,000	2,132,500	2,376,000	10
19	2	Marianna, Fla., post office, courthouse	582,000	507,800	582,000	11
	3	Tampa, Fla., Federal office building	2,457,000	2,206,900	2,457,000	12
	5	Macon, Ga	3,639,000	3,534,800	3,641,800	13
	6	Porthill, Idaho	123,000	114,400	123,000	14
	10	Seymour, Ind	514,000	445,500	514,000	15
	12	Owensboro, Ky	295,000	274,300	295,000	16
	14	New Orleans, La., Federal office building	1,290,000	1,199,700	1,290,000	17
	16	New Orleans, La., post office, courthouse	3,629,000	3,375,000	3,629,000	18
	18	Augusta, Maine	2,686,000	2,418,000	2,686,000	19
	20	Houlton, Maine	335,000	311,500	335,000	20
	21-22	Boston, Mass	28,893,000	26,544,100	28,893,000	21
	23	Webster, Mass	429,000	382,200	429,000	22
	25	Grand Rapids, Mich	737,000	685,400	737,000	23
20	1	Sault Ste. Marie, Mich	270,000	251,100	0	24
	2	Pigeon River, Minn	296,000	275,300	296,000	25
	4	Clarksdale, Miss	1,285,000	1,140,200	1,285,000	26
	5-6	Kansas City, Mo	31,781,000	29,189,000	31,781,000	27
	-------	Billings, Mont	5,756,000	----------	(1)	[1] 28
	8	Grand Island, Nebr	322,000	299,500	322,000	29
	10	North Platte, Nebr	1,588,000	1,413,600	1,588,000	30
	12	Reno, Nev	3,590,000	3,241,000	3,590,000	31
	14	Concord, N.H	3,459,000	3,120,100	3,459,000	32
	16	Albuquerque, N. Mex	7,450,000	6,876,200	7,450,000	33
	18	Fayetteville, N.C	2,209,000	1,980,000	2,209,000	34
	20	Grand Forks, N. Dak	325,000	302,200	325,000	35
	22	Canton, Ohio	2,722,000	2,450,500	2,722,000	36
	24	Oklahoma City, Okla	794,000	738,400	794,000	37
21	2	Tulsa, Okla	7,988,000	7,281,900	7,988,000	38
	4	Westerly, R.I	527,000	459,400	527,000	39
	6	Pierre, S. Dak	2,699,000	2,430,100	2,699,000	40
	8	Sioux Falls, S. Dak	2,788,000	2,511,000	2,788,000	41
	10	Winchester, Tenn	----------	847,200	956,200	42
	12	Austin, Tex	9,909,000	9,062,800	9,909,000	43
	13	Del Rio, Tex., border station	300,000	279,000	300,000	44
	15	Del Rio, Tex., border postal station headquarters	460,000	427,800	460,000	45
	17	Houston, Tex	1,393,000	1,295,500	1,393,000	46
	19	Ogden, Utah	4,853,000	4,398,900	4,853,000	47
	21-22	Charlottesville, Va	2,251,000	2,019,000	2,251,000	48
	23-24	Cheyenne, Wyo	5,034,000	4,566,300	5,034,000	49

[1] Insert on p. 20, after line 6 "Courthouse and Federal office building, Billings, Mont., $5,756,000;".

GSA Amendment No. 50

SITES AND EXPENSES, PUBLIC BUILDINGS PROJECTS

PROPOSED AMENDMENT

On page 22, line 7 of the bill as reported to the House, strike out "$16,500,000" and insert in lieu thereof "$22,000,000".

BUDGETARY DATA

1963 budget estimates		$22,000,000
1962:		
Appropriation in annual act	$25,000,000	
Transfer to S. & E.–OA	−51,000	
		24,949,000
Change 1963 from 1962		−2,949,000
1963:		
Bill as reported to House		16,500,000
(Change from budget estimate)		(−5,500,000)
Restoration proposed by this amendment		+5,500,000
Bill as changed by this amendment		22,000,000

LEGISLATIVE HISTORY

GSA budget justifications: Pages I–102 to I–107.

House Hearings: Part 2, pages 228 to 234.

House Report No. 2050: Page 11, "Sites and expenses, public buildings projects." The committee has included in the bill $16,500,000 for sites and expenses of the new projects approved since last year. Funds are not included for the FBI Building, GSA Records Center, or Geological Survey buildings in the District of Columbia at this time as substantial construction is planned or underway in the area."

JUSTIFICATION OF THE AMENDMENT

During the current session of Congress, the Public Works Committees of the House and Senate approved prospectuses for 45 construction projects under a total limit of cost of $235 million, including $31,479,000 for acquisition of the necessary land and design costs funded under the "Sites and expenses" appropriation. The House committee included funds for all but 3 of these 45 projects. The amounts required for these three projects for which no funds were provided in the bill are as follows:

FBI Building	$12,265,000
Geological Survey Building	2,125,000
Federal Records Center	650,000
Total	15,040,000
Rounded to	15,000,000

The omission of site and expense funds from the bill for these three projects will result in a setback to orderly accomplishment of the immediate and long-range planned program of construction for office and special-purpose space in the Washington, D.C. area. Although there is other construction planned or underway in Washington, the FBI Building is to provide necessary office space whereas the Geological Survey and Records Center Buildings are primarily needed to provide special-purpose space.

The three buildings will assist in relieving the shortage of space that exists in Washington since all three consolidate the agencies they will serve and provide space for their expansion. However, the important results beside consolidation will be the availability of 687,900 square feet of space at 6 locations by reassigning the space which FBI presently uses; the availability of over 200,000 square feet of space that Geological Survey is now occupying in the GSA and Interior buildings, and the release for disposal of 549,940 square feet of obsolete Records Center space.

The President's Ad Hoc Committee on Federal Office Space supports the need for additional construction in order to improve the accommodations of Federal activities in the Washington area. There also exists the problem of available sites for Federal buildings since it is in the Government's interest to obtain sites in the Washington area before costly renovation and/or construction takes place. This is especially true for the tentatively proposed FBI site.

For the above reasons and other justifications enumerated in the prospectuses for these buildings, it is requested that the $5.5 million reduction in this appropriation be restored. This will permit us to go forward on all projects except the one for the FBI.

GSA Amendment No. 51

OPERATING EXPENSES, FEDERAL SUPPLY SERVICE

PROPOSED AMENDMENT

On page 23, line 7, of the bill as reported to the House, strike out "$40,000,000" and insert in lieu thereof "$42,683,000".

BUDGETARY DATA

1963 budget estimate		$42,683,000
1962:		
Appropriation in annual act	$35,903,000	
Supplemental appropriation	2,900,000	
Transfers	−3,927,500	
		34,875,500
Change in 1963 from 1962		+7,807,500
1963:		
Bill as reported to House		40,000,000
(Change from budget estimate)		(−2,683,000)
Restoration proposed by this amendment		+2,683,000
Bill as changed by this amendment		42,683,000

LEGISLATIVE HISTORY

GSA Budget Justifications: Pages II–3 to II–37.

House hearings: Part 2, pages 266 to 311.

House Report No. 2050: Page 11, "Operating expenses, Federal Supply Service.—The amount recommended for supply activities in 1963 is $40 million, a reduction of $2,683,000 in the budget estimate. The comparable amount for 1962 is $34,875,500. The language of the bill consolidates into one item all supply activities which have previously been provided for under two separate appropriation headings. The increase supports the rising sales volume of the GSA supply system. Total sales are estimated at well over $1 billion in 1963 and warehouse sales are expected to rise from $220 million in 1962 to $258.5 million in the next fiscal year."

JUSTIFICATION OF THE AMENDMENT

The House report states, "total sales are estimated at well over $1 billion in 1963, and warehouse sales are expected to rise from $220 million in 1962 to $258.5 million in the next fiscal year." This statement indicates that the House committee agrees with the estimated volumes presented in the budget request. Because other activity increases are minor it would be necessary to apply the full reduction of $2,683,000 to the supply operations activities. Therefore, if these funds are not restored, the proposed sales levels cannot be achieved and this would result in a failure to fulfill the GSA commitments for supply support to the Department of Defense, including the MILSTRIP application which became operational July 1, 1962.

The total procurement program for 1962 was $1,187.9 million, based on preliminary reports, as compared to an estimate of $1,134.6 million included in the 1962 column of the 1963 budget. Warehouse sales for 1962 were $229.6 million, as compared to the estimate of $220 million in the 1962 column of the 1963 budget. The result of the 1962 operations clearly indicates that the volumes

projected in the budget estimate for 1963 are too conservative, and it is now apparent that these estimates will be substantially exceeded.

History of stores stock sales forecast

[In millions of dollars]

	Original budget	Actual	Increase
1960	$150.0	$154.3	$4.3
1961	171.7	183.2	11.5
1962	190.0	229.6	39.6

The increases over the original budget in each case had to be covered by supplemental budget requests to the Congress.

It is emphasized that even the projected 1963 increases of $28.9 million in warehouse sales and $116.6 million in total procurement, over those actually accomplished in 1962 cannot be accomplished without full restoration of the increases requested in the budget estimate for (*a*) operating a warehouse system which, in 1963, will handle well over $258.5 million in sales; (*b*) space to warehouse additional stock required by the expanding sales program; (*c*) additional buying of commodities; (*d*) increased and improved inspection of commodities to insure quality; and (*e*) administrative support for the foregoing. The budget estimate for 1963 reflects a balance between all of these elements, which years of experience have demonstrated to be essential for conducting efficient, economical operations.

It is urged that the item be restored to the full amount of the budget estimate.

GSA Amendment No. 52

GENERAL SUPPLY FUND

PROPOSED AMENDMENT

On page 23, line 11, of the bill as reported to the House, strike out "$10,000,000" and insert in lieu thereof "$17,000,000".

BUDGETARY DATA

1963 budget estimate		$17,000,000
1962:		
Appropriation in annual act	$6,000,000	
Supplemental appropriation	7,500,000	
		13,500,000
Change 1963 from 1962		−3,500,000
1963:		
Bill as reported to House		10,000,000
(Change from budget estimate)		(−7,000,000)
Restoration proposed by this amendment		+7,000,000
Bill as changed by this amendment		17,000,000

LEGISLATIVE HISTORY

GSA budget justifications: Pages II–38 to II–59.

House hearings: Part 2, pages 312 to 320.

House Report No. 2050: Page 11, "General supply fund: A $10 million increase in capital for the supply fund is recommended instead of $17 million as proposed in the budget. Inasmuch as the volume of sales financed through the fund is growing, a limited increase in capital is necessary. The Bureau of the Budget is again urged to check to see that all agencies are paying their bills on time."

JUSTIFICATION OF THE AMENDMENT

The budget request of $17 million is essential to provide for the steadily increasing volume of stores sales and other activities financed through the General Supply Fund. The House committee did not indicate that they disagree with the projected volume. However, in allowing only $10 million, sufficient capital is not provided to meet sharply rising customer demands for supplies and services financed through this fund.

The total sales financed through the fund were estimated at $409.1 million for 1962 and $501.2 million in 1963 at the time the budget request was submitted. Actual sales for 1962 were $437.4 million, based on preliminary reports, an increase of $28.3 million over the original estimate for that year. This sharp increase and overall upward trend indicates the 1963 estimate will also be substantially exceeded. The table on the following page reflects the actual 1962 results and the revised 1963 projection for capital requirements.

The actual cash balance as of June 30, 1962, was $17 million including the $7.5 million provided by Public Law 87–545, approved July 25, 1962. In view of the fact that payables are in the magnitude of $35 million this cash balance is considered insufficient to insure prompt payment of bills, maintain good relations with industry, and take advantage of discounts offered.

To maintain even this balance, customer agencies advanced in excess of $42 million to finance the activities under this fund. Dependence upon customer agencies for advances to the extent required in 1962 is considered very dangerous since these agencies may have to withdraw them at any time for their own use. To plan on advances in 1963 beyond the $31 million contemplated in 1963 budget estimate, and which has been adjusted to $36.3 million in the following table, is not a solution to the problem of a shortage in appropriated capital, and could well result in the situation of inadequate financing which this committee criticized in its Report No. 85, dated March 24, 1961.

The House report states, "* * * The Bureau of the Budget is again urged to check to see that all agencies are paying their bills on time." In this connection GSA has been actively pursuing ways of reducing delinquent accounts, and customer agencies have been advised that any bill over 30 days old will be considered delinquent instead of 45 days as in the past. In the 1963 estimate accounts receivable are reduced to the minimum level and take into consideration procedures implemented to reduce delinquencies.

Inventory cannot be reduced below the level forecast, in the face of sharply rising customer demands, without impairing supply performance and increasing both administrative costs and price paid for merchandise. Equipment is required at the level forecast to provide for customer demands for motor pool services.

It is urged that the item be restored to the full amount of the budget estimate.

Comparative statement of capital

	1962 actual [1]	1963 estimate adjusted	Change	Explanation
1. Capital available:	*Millions*	*Millions*	*Millions*	
Appropriated	$129.2	$146.2	+$17.0	Increase required to support total sales volume of $501,200,000.
Donated	10.7	16.1	+5.4	Increase due to transfer of $5,000,000 DOD inventory and $400,000 of motor vehicles for pool consolidations.
Total	139.9	162.3	+22.4	
2. Applied financing:				
Inventory	94.8	109.5	+14.7	
In depot	88.8	106.5	+17.7	Increase required to support sales with approximate 3 times stock turn.
In transit	6.0	3.0	−3.0	
Equipment	30.5	34.0	+3.5	Increase primarily for additional motor vehicles to meet customer demand for service and activation of 9 new pools for total of 75.
Accounts receivable	80.0	71.0	−9.0	Decrease reflects improvements in collections contemplated in 1963 resulting from changes in billing and collection procedures.
Cash	17.0	19.0	+2.0	Increase to provide for minimum requirements to pay bills promptly and take discounts offered.
Other assets	.9	.3	−.6	
Total investment in assets	223.2	233.8	+10.6	
Less:				
Accounts payable	34.9	32.9	−2.0	Decrease reflects improved payment practices.
Unfunded leave liability	.1	.1		
Advance from other agencies	42.9	36.3	−6.6	Decrease reflects maximum advances obtainable from customers. $10,000,000 of the 1962 balance was an emergency advance received from customers to provide cash pending action on 2d supplemental appropriation bill. This $10,000,000 must be returned to customer agencies.
Earnings	5.4	2.2	−3.2	Decrease reflects change in prices to customers.
Total liabilities	83.3	71.5	−11.8	
Total applied (net)	139.9	162.3	+22.4	

[1] Based on preliminary data.

GSA Amendment No. 53

OPERATING EXPENSES, NATIONAL ARCHIVES AND RECORDS SERVICE

PROPOSED AMENDMENT

On page 23, line 25, of the bill as reported to the House, strike out "$14,050,000" and insert in lieu thereof "$14,500,000".

BUDGETARY DATA

1963 budget estimate		$14,500,000
1962:		
Appropriation in annual act	$14,000,000	
Transfer to S. & E.–OA	−32,200	
		13,967,800
Change, 1963 from 1962		+532,200
1963:		
Bill as reported to House		14,050,000
(Change from budget estimate)		(−450,000)
Restoration proposed by this amendment		+450,000
Bill as changed by this amendment		14,500,000

LEGISLATIVE HISTORY

GSA budget justifications: Pages II–85 to II–105.
House hearings: Part 2, pages 350 to 369.
House Report No. 2050: Page 11: "Operating expenses, National Archives and Records Service: Management of the Government's archives and records and operation of Presidential libraries are provided by this appropriation. The bill includes $14,050,000 to continue the same level of funding as in the past year except for minor increases requested for the Hoover and Eisenhower Libraries. It is a reduction of $450,000 in the budget estimate."

JUSTIFICATION OF THE AMENDMENT

The House committee's reduction of funds to the 1962 level of funding eliminates financial provision to meet an urgent need to initiate a disposal microfilming program to relieve the critical space problem in the National Archives Building for storage of permanent records, as well as for a modest expansion of regional records centers functions.

Microfilming

Restoration of the full amount of $340,000 of the House committee's reduction for microfilming is requested to provide minimum funds to initiate the vital program to alleviate the critical storage problem in the National Archives Building, and thus preclude possible irreparable damage to vast quantities of permanent records through storage in substandard space.

As outlined in the budget document, the microfilming program would provide for preservation on microfilm of between 12,000 and 15,000 cubic feet of records annually, equal to about 25 percent of the estimated annual increment of permanent records in the Federal Government. Disposal microfilming operations are such that it would be uneconomical to initiate this program on a scale less than an annual level of $600,000. Full restoration of the $340,000 is necessary if we are to reach this minimum level by the end of fiscal year 1963.

Regional records centers

Restoration of $110,000 of the House committee's reduction is requested to provide for handling an additional 254,000 cubic feet of records workload in accessioning, disposal, and reference services. The budget estimate sets out the workload anticipated in 1963, resulting from expanding requirements of civilian and military agencies for records centers service.

Workload data in cubic feet

	1962	1963	Increase over 1962 level of funding
Records in custody beginning of year	5,362,236	5,586,236	224,000
Records accessioned	737,000	750,000	13,000
Records disposed of	513,000	530,000	17,000
Total workload-records administered	6,612,236	6,866,236	254,000

GSA Amendment No. 54

OPERATING EXPENSES, TRANSPORTATION AND COMMUNICATIONS SERVICE

PROPOSED AMENDMENT

On page 24, line 7, of the bill as reported to the House, strike out "$4,097,000" and insert in lieu thereof "$4,435,000".

BUDGETARY DATA

1963 budget estimate		$4,435,000
1962:		
Appropriation in annual act	$2,400,000	
Transfers, net	1,276,400	
		3,676,400
Change in 1963 from 1962		+758,600
1963:		
Bill as reported to House		4,097,000
(Change from budget estimate)		(−338,000)
Restoration proposed by this amendment		+338,000
Bill as changed by the amendment		4,435,000

LEGISLATIVE HISTORY

GSA budget justifications: Pages II–108 to II–123.

House hearings: Part 2, pages 370–401.

House Report No. 2050: Page 12, "Operating expenses, Transportation and Communications Service: The committee recommends $4,097,000 for this new service to improve management of transportation, communications, and utility services for all civilian agencies. The comparable total for 1962 is $3,696,400. The increase of $400,600 in 1963 is for work related to establishing a new unified telecommunications system to be administered by GSA to connect some 8,000 Government offices in approximately 1,750 cities and towns in the 50 States and the Commonwealth of Puerto Rico and the Virgin Islands. The system is to be compatible with Department of Defense communication systems."

JUSTIFICATION OF THE AMENDMENT

1. The increase over 1962, if applied as directed by the House committee, to work related to establishing a new unified telecommunications system, will still be $62,000 short of providing for a full year's staffing and the necessary research and development required to meet phased objectives, of which several examples follow:

(*a*) All plans and requirements for a nationwide circuit switching system encompassing 350 cities must be completed by August 1, 1963, to permit the last 150 cities to be connected by January 1, 1965.

(*b*) All engineering and contractual arrangements necessary to complete the connection of 200 of the 350 cities by July 1, 1964, must be completed by August 1, 1963.

(*c*) In order to establish electronic switching centers and associated concentrators and interchange circuitry to provide a store-forward system by no later than March 1965, the precise system must be engineered and specifications prepared by January 1963, so that a contract can be awarded no later than July 1963.

Partial and total consolidations of switchboards already scheduled during fiscal 1963 in the first 12 cities of the 47 planned in that year will generate annual economies of $200,000.

Timely accomplishment of all phased objectives in both voice and record systems will result in further economies and savings in communication costs to the several Government agencies.

2. The balance of the reduction, $276,000, would have to be applied to transportation services in the regional offices where the demand for this service is constantly growing. The greatest need is in support of the rapidly expanding FSS supply program with respect to DOD, further accelerated by the institution of "milstrip."

The 1963 estimate for providing these transportation services to FSS was predicated on a stores stock sales volume of $258.5 million, which was an increase from the $220 million in 1962. Experience in 1962 emphasized again that estimates of sales volumes made a year in advance have been exceeded by actual transactions. The sales volume reported for the month of July was the highest in GSA's history and clearly indicates that the $258.5 million will prove to be too low.

In view of the fact that these volumes are developing, transportation services to keep pace with this expansion will reflect heavy increases in common carrier tariff rate quotations, rate negotiations, and loss and damage claims evaluations, which cannot be absorbed by present regional staffing. It is essential that these funds be restored to provide for additional staffing so that TCS will be able to furnish the necessary services to FSS in the regional offices to assure effective FSS–DOD supply support.

Another effect of this reduction would be to further delay traffic management assistance to an additional 32 agencies which was planned in 1963 and subsequent years. This program, which results in improved transportation practices, would also generate savings to the Government.

GSA Amendment No. 55

STRATEGIC AND CRITICAL MATERIALS

PROPOSED AMENDMENT

On page 24, line 25, and page 25, line 1, of the bill as reported to the House, strike out "$18,000,000", and insert in lieu thereof "$32,735,000".

BUDGETARY DATA

1963 budget estimate		$38,000,000
1962:		
Appropriation in annual act	$40,000,000	
Transfer to S. & E.-OA	−22,700	
		39,977,300
Change 1963 from 1962		−1,977,300
1963:		
Bill as reported to House (from proceeds of sales)		18,000,000
Change from Budget estimate, appropriations		(−38,000,000)
Restoration proposed by this amendment (from proceeds of sales)		+14,735,000
Bill as changed by this amendment (from proceeds of sales)		32,735,000

LEGISLATIVE HISTORY

GSA budget justifications: Pages III–2 to III–32.

House hearings: Part 2, pages 103–106, 108–112 and 402 to 479.

House Report No. 2050: Page 12, "Strategic and critical materials: It has been the position of the committee for some 4 or 5 years that from $3 to $5 billion worth of stockpile materials could be disposed of without crippling our national defense effort. In the hearings the Administrator stated that disposal of excess materials over and above the objectives is being given greater emphasis. He expressed the conviction that between $600 and $800 million a year could be disposed of without causing serious disruption to either the domestic or foreign markets or crippling prices. The committee is hopeful that an early decision can be made to dispose of substantial quantities and save storage and maintenance costs on materials not needed.

"To maintain the stockpile in the next fiscal year the committee recommends that $18 million of proceeds from sales of materials be used instead of $38 million by appropriation. Such amount includes $12 million for storage costs and expenses related to disposal of materials, $2 million to maintain the national industrial equipment reserve, $3 million for operating expenses and $1 million for acquisition of new materials for which there is still a defense need."

JUSTIFICATION OF THE AMENDMENT

The House committee reduced the request for funds to carry out the Strategic and Critical Materials Stock Piling Act from $38 million to $18 million, and inserted language providing that financing was "to be derived from sales of strategic and critical materials during the current fiscal year." By reference

to the House report quoted above, it is apparently intended that the upgrading and rotation of strategic materials be completely eliminated. The reduction in financing to $18 million would also drastically curtail amounts available for disposal activities, emergency repairs to warehouses and protection of materials stored, and the program for the relocation of strategic materials designed to achieve future economies. The House committee alowances, pursuant to the wording of the House report, and revised estimates, are reflected in the following table:

Activity	1963 budget estimate	House committee allowance	Amended request
1. Acquisition of materials:			
(a) New materials	$1,408,000	$1,000,000	$1,000,000
(b) Upgrading materials	1,735,000	0	1,735,000
Total	3,143,000	1,000,000	2,735,000
2. Inventory management:			
(a) Rotation of materials (gross)	14,507,000	0	10,000,000
(b) Storage of materials	13,261,000	----------	----------
(c) Disposal of materials	2,171,000	----------	----------
Subtotal ((b) and (c))	15,432,000	12,000,000	15,000,000
Total, inventory management	29,939,000	12,000,000	25,000,000
3. National industrial equipment reserve:			
(a) Transportation, processing, and storage (gross)	1,918,000	2,000,000	2,000,000
4. Operating expenses	3,000,000	3,000,000	3,000,000
Total obligations	38,000,000	18,000,000	32,735,000

1(*a*). Acquisition of new materials: The projected purchase program for 1963 provided for acquisition of only three materials: chrysotile asbestos, diamond dies, and jewel bearings, as well as transportation and handling for deliveries of materials contracted for in prior years. The reduced allowance will be sufficient to provide for acquisition of the jewel bearings. Since attempts are being made to acquire the asbestos and diamond dies through the CCC barter program, no appeal is made in this connection.

1(*b*). The proposed upgrading program for 1963 provided for processing of columbite-tantalite concentrates, and tantalite-columbite concentrates to various higher use forms of columbium and tantalum; castor oil to sebacic acid; and opium to morphine and codeine. The total estimated cost of the projected upgrading program including processing, transportation, and handling is $6,900,000, of which $5,165,000 is expected to be covered by utilizing surplus strategic materials in the national stockpile and the Defense Production Act inventory as partial payment, leaving only $1,735,000 requested as direct financing to cover transportion and handling costs, and a limited amount of the processing cost.

In accordance with the general provisions of the Stock Piling Act, the OEP has developed requirements for stockpiling upgraded forms of certain materials in order to provide a minimum readiness inventory to meet the initial surge of demand under abnormal conditions of intensive mobilization. Such upgrading is carefully limited so as not to impair flexibility of use. Provision for a minmium readiness of upgraded forms is considered essential to the national defense, and a thoroughly justifiable program, particularly since it will be accomplished mainly through the utilization of excess materials.

2(*a*). The Stockpile Act provides for rotation of materials where necessary to prevent deterioration. The optimum rotation cycle considering maximum age of usability and rotation costs is determined after careful testing and study. Based on the above, and the present status of the inventory of cordage fibers, the following program is required:

Abaca fiber (5 years or older) 23,000,000 pounds at 35 cents	$8,000,000
Sisal fiber (7 years or older) 14,300,000 pounds at 14 cents	2,000,000
Gross cost of replacement	10,000,000

Gross requirements for funding this program are $10 million; however, receipts from sales of outgoing material are estimated at $8.6 million; therefore, the

net cost to the Treasury is only $1.4 million. It is possible to decrease the original estimate of sisal to be rotated in 1963 due to heavier than anticipated rotation transactions during the latter part of 1962. We are continuing to study test results concerning the deterioration of these fibers. If such results indicate that the rotation cycle may be lengthened, the rotation program will be promptly adjusted accordingly.

2 (*b*) and (*c*). Storage and disposal of materials: The House committee allowed $12 million for these activities as compared with $14,495,000 provided in fiscal year 1962, and $15,432,000 requested in 1963. Of the total request for 1963, $10,200,000 represents fixed recurring charges for open, closed, and tank storage of strategic materials valued at more than $7 billion. The balance of $1.8 million would have to be applied to the disposal program leaving no funds available for emergency repairs of warehouses, or special care and repackaging of strategic materials due to damage from fire, storm, or flood. Proposals for relocation of materials due to deactivation of depots which would provide future economies, and to relocate materials for dispersal reasons in accordance with OEP directives, would have to be deferred. For the above reasons, it is requested that $15 million be provided for these programs. Some savings over the original estimate are anticipated through the transfer of responsibility for long-staple cotton of foreign origin to the Department of Agriculture.

GSA Amendment No. 56

STRATEGIC AND CRITICAL MATERIALS

PROPOSED AMENDMENT

On page 25, line 2, of the bill as reported to the House, strike out "during the current fiscal year".

BUDGETARY DATA

None applicable. See GSA amendment No. 55.

LEGISLATIVE HISTORY

GSA budget justifications: None applicable.

House hearings: None applicable.

House Report No. 2050: Page 12, "To maintain the stockpile in the next fiscal year the committee recommends that $18 million of proceeds from sales of materials be used instead of $38 million by appropriation. Such amount includes $12 million for storage costs and expenses related to disposal of materials, $2 million to maintain the national industrial equipment reserve, $3 million for operating expenses, and $1 million for acquisition of new materials for which there is still a defense need."

JUSTIFICATION OF THE AMENDMENT

The General Services Administration has consistently and repeatedly recommended the disposal of excess strategic and critical materials as rapidly as possible without disrupting markets or crippling prices. The House committee was assured, and this committee may also be assured, that every effort will be made to dispose of such materials as expeditiously as possible, and we have no doubt that proceeds from sales will far exceed program expenses on a cumulative basis. Therefore, there is no objection to the proposal that this program be financed from the proceeds of sales of these materials.

However, that part of the proposed language requiring that only proceeds from sales "during the current fiscal year" may be used for funding would place the entire program in jeopardy because of variations in sales volumes, and the timing of Treasury receipts. Although adequate sales might be made in July of "the current fiscal year" equal to or in excess of early fiscal year expenditures, actual delivery or pickup of materials and actual receipt of payments in some cases would not occur for a month or more after the sales actions are consummated. Thus, payrolls and payment of Government bills would have to be held up until covered by actual receipts from current year sales.

The volume of sales of strategic materials will continue to be subject to considerable variation, and could be drastically affected by the necessary time factor involved in securing concurrence of executive and legislative branches of the

Government, and changes in domestic and worldwide economic conditions. Therefore, it is strongly recommended that the words "during the current fiscal year" be eliminated from the language. This would be consistent with similar provisions for financing our Utilization and Disposal Service.

GSA Amendment No. 57

STRATEGIC AND CRITICAL MATERIALS

PROPOSED AMENDMENT

On page 25, line 19, of the bill as reported to the House, strike out all after "Treasury" and insert in lieu thereof ": *Provided further*, That during the current fiscal year materials in the inventory maintained under the Defense Production Act of 1950, as amended, and, after compliance with the disposal requirements of section 3(e) of the Strategic and Critical Materials Stock Piling Act, excess materials in the national stockpile established pursuant to that Act, shall be available, without reimbursement, for transfer at fair market value to contractors as payment for expenses of refining, processing, or otherwise beneficiating materials, pursuant to section 3(c) of the Strategic and Critical Materials Stock Piling Act, into a form best suitable for stockpiling."

BUDGETARY DATA

None applicable. See GSA amendment No. 55.

LEGISLATIVE HISTORY

GSA budget justifications: Page III–7.
House hearings: Part 2, pages 451–452.
House Report No. 2050: Page 12, "Strategic and Critical Materials. * * * The committee has omitted language contained in the bill last year authorizing materials in the inventory to be used for payment in kind for expenses of beneficiating materials pending a decision on future policies related to stockpiling."

JUSTIFICATION OF THE AMENDMENT

The House committee eliminated funds for the upgrading program and also eliminated the above language now proposed to be reinserted to provide substantive authority for use of excess materials in the national stockpile or the Defense Production Act inventory in payment for the processing costs of upgrading, in lieu of cash.

As stated above, OEP, after interagency advice, establishes requirements for stockpiling upgraded forms of certain strategic materials and issues directives each year for specific quantities to be obtained through upgrading of existing material in the stockpile. Arrangements are made with contractors, wherever possible, for payment of processing costs by transfer of surplus materials at fair market value. For example, during fiscal year 1962 more than $1 million worth of excess cathode copper, aluminum, and tungsten concentrates were covered in contracts as payment for the processing costs of columbium carbide powder, tantalum carbide powder, ferrovanadium, and oxygen-free high-conductivity (OFHC) copper.

Language permitting use of excess materials in the DPA inventory for payment for such costs was authorized by the Congress for 1962. It is proposed that the language be broadened to permit the use of excess materials in the national stockpile also, for this purpose. Use will be made of national stockpile material only when it is provided for in a published disposal plan submitted to the Congress.

Approval of this amendment, as well as amendment No. 55, is indispensable to the upgrading program.

GSA Amendment No. 58

ADMINISTRATIVE OPERATIONS FUND

PROPOSED AMENDMENT

On page 26, line 23, of the bill as reported to the House, strike out "$11,100,000" and insert in lieu thereof "$12,131,000".

BUDGETARY DATA

1963 budget estimate (limitation		$12,131,000
1962:		
Limitation in annual act	$14,566,450	
Supplementals (Public Law 87-332)	695,000	
Transfers, net	−4,189,000	
		11,071,550
Change in 1963 from 1962		+1,059,450
1963:		
Bill as reported to House		11,110,000
(Change from budget estimate)		(−1,031,000)
Restoration proposed by this amendment		+1,031,000
Bill as changed by this amendment		12,131,000

LEGISLATIVE HISTORY

GSA budget justifications: Pages III–56 to III–92.

House hearings: Part 2, pages 501 to 532.

House Report No. 2050: Page 12, "Administrative operations fund: A limitation of $11,100,000 is included for administrative, financial, and legal services for all GSA programs. The comparable amount for 1962 is $11,071,550. Automatic data processing services which previously have been included in this limitation are excluded in 1963."

JUSTIFICATION OF THE AMENDMENT

Original estimates of requirements for integrated staff services including financial, administrative and legal services were directly related to the workload and appropriation requests for the various programs. In many program areas the estimates for administrative support contemplated a decrease in unit costs or in the cost ratio in relation to program costs.

Allowances for the administrative operations fund in the bill as reported to the House reduced the amount requested to the 1962 level of operations and, at the same time, provided increases in appropriations for programs to be serviced by staff activities financed in the AO fund. GSA has kept its administrative operations staff and costs at the minimum level for efficient and economical operations. Increased appropriations for program functions must be matched by additional allowances for administrative operations if essential support of programs is to be furnished.

The growth of GSA's programs in the past few years made it essential that ways be found to handle an ever-growing volume of paperwork and to reduce the unit cost of operations. After study, electronic computer applications are now being utilized and many advantages are being gained from converting existing punchcard electrical accounting systems to medium- and large-scale computer systems. GSA has installed computers in all regions to handle the large increases in workload at lower costs with minimum increases in staff.

Major workload indicators	Number			Unit costs		
	1961	1963	Increases	1961	1963	Decreases
1. Accounting documents processed	2,347,904	2,915,000	567,096	$0.995	$0.825	$0.170
Average per man-year	7,009	8,204	1,195			
2. Employees payrolled	29,180	34,281	5,101	14.49	10.60	3.89
Average per man-year	430	565	135			
3. Compliance investigations	971	1,150	179	458.00	433.00	25.00
4. Personnel ratio (standard=1:135)	1:166	1:176	1:10			

The major increases are directly attributable to the sharp increase in Federal Supply Service workload. For example, sales volume of $489.9 million projected in 1963 represents a 42.6-percent increase over sales of $343.5 million in 1961, and 13.6-percent increase over sales of $431.2 million in 1962. The total increase requested under limitation in 1963 for the administrative operations fund is $1,059,450 (9.6 percent) over 1962. Of this increase the major portion or $878,000 is directly attributable to support for Federal Supply Service program expansion.

While the expected increases in other GSA programs are not as dramatic as the supply sales volume, there was nevertheless significant expansion projected in several program areas that add to the overall administrative support workload. Obviously, the expanded GSA programs in 1963 cannot be supported with the 1962 level of financing. Staff devoted to administrative support must be increased consistent with workload increases to avoid costly, if not crippling, backlogs.

It is urgent that the full amount requested in the budget estimate be granted and the reduction of $1,031,000 restored to the administrative operations fund.

GSA Amendment No. 59

GENERAL PROVISIONS

PROPOSED AMENDMENT

On page 28 of the bill as passed by the House insert the following after line 2:

"Appropriations to the General Services Administration under the heading 'Construction, Public Buildings Projects' made in this Act and prior Appropriation Acts shall be available without regard, except as provided in clause (3), to the provisions of section 7 of the Public Buildings Act of 1959 for (1) acquisition of buildings and sites thereof by purchase, condemnation, or otherwise, including prepayment of purchase contracts, (2) extension or conversion of Government-owned buildings, and (3) construction of projects for new public buildings approved pursuant to the Public Buildings Act of 1959, in addition to those set forth under that appropriation, and expenditures heretofore made for such purposes without regard to section 7 and former section 8(a) of the Public Buildings Act of 1959 are hereby ratified."

BUDGETARY DATA

None applicable.

LEGISLATIVE HISTORY

GSA budget justifications: Page I–9.

House hearings: No mention.

House Report No. 2050: Pages 12–13, "General provisions.—For several years the committee has included authorization for the Administrator to use construction savings in the public buildings construction program to acquire buildings when it is to the advantage of the Government to do so. The Administrator has acquired 20 projects pursuant to this authority by prepayment of lease purchase contracts, negotiation, and condemnation, at a total cost of $27,474,810 which will result in savings of many millions of dollars to the Government. As a result of a recent decision by the Circuit Court of Appeals for the District of Columbia, doubts have been cast upon the validity of the acquisition of such buildings. The amended language included in the bill this year is to ratify expenditures heretofore made for acquisition of buildings through the use of construction savings."

House action: Congressional Record for July 30, 1962, page 14011:

"The CHAIRMAN. Are there any points of order to be made to the remainder of the bill?

"Mr. GROSS. Mr. Chairman, I make a point of order against the language on page 27, beginning in line 24 and running through line 12 on page 28, as being legislation on an appropriation bill.

"The CHAIRMAN. Does the gentleman from Texas desire to be heard on the point of order made by the gentleman from Iowa?

"Mr. THOMAS. No, Mr. Chairman; we admit it is good.

"The CHAIRMAN (Mr. Bolling). The Chair is of the opinion that the matter contains legislation and therefore sustains the point of order."

JUSTIFICATION OF THE AMENDMENT

In the GSA budget justifications, the language authorizing the use of funds saved from appropriations under the heading "Construction, public buildings projects" for acquisition of buildings and sites, for extension or conversion of Government-owned buildings, and for construction of projects for new public buildings approved pursuant to the Public Buildings Act of 1959, was identical with that contained in the Independent Offices Appropriation Act, 1962, and in the Independent Offices Appropriation Act, 1961, as amended.

As the House committee report points out, construction savings have been used to acquire 20 projects by prepayment of lease purchase contracts, by negotiation, and by condemnation, as a result of which substantial savings have been achieved. In the discussion of the Independent Offices appropriation bill for 1963 on the floor of the House, Chairman Thomas stated: "This House of Representatives gave him (the Administrator of General Services) that authority to buy other buildings that the Government needed in order to save money, of course, and to pick up some of those terribly expensive lease-purchase contracts and pay them off. He did it to the tune of $15 to $18 million, and more horsepower to him. There was a 100-percent savings of that much money." It is highly desirable that such authority be continued in effect for the future.

The revisions in the 1962 langauge made in the 1963 bill as reported by the House Committee on Appropriations were designed to continue, by specific language, the interpretation which has been placed on such provisions beginning with the Independent Offices Appropriation Act 1960 and to ratify actions taken on the basis of that continued interpretation.

The necessity for the revision arose as a result of the decision of the Circuit Court of Appeals for the District of Columbia in proceedings instituted for the acquisition by condemnation of the Matomic Building at 1717 H Street NW., Washington, D.C. The authority relied upon for the taking was the provision in the Independent Offices Appropriation Act 1961, as amended, referred to above. The District court upheld the position of the Government that the so-called "construction savings" provision constituted separate and independent authority, not subject to the provisions of the Public Buildings Act of 1959, for the use of funds from the "Construction, public buildings projects" appropriations, to the extent that the specific projects for which the appropriations were made cost less than the amounts appropriated therefor.

The circuit court of appeals reversed the district court and ruled that the Public Buildings Act of 1959 did apply. Since the Matomic Building was outside the area in which GSA was then authorized to acquire real property within the District of Columbia (former section 8(a) of the Public Buildings Act), and since no prospectus covering the acquisition of the building had been either submitted to or approved by the Public Works Committees of the Senate and the House in accordance with section 7(a) of the Public Buildings Act, the circuit court of appeals decided that the taking of the Matomic Building was unauthorized.

Prior to the beginning of the condemnation of the Matomic Building, GSA had acquired 20 buildings through the use of construction savings under provisions similar to that relied upon in the *Matomic Building* case. A list of such buildings appears in the GSA estimates of appropriations for fiscal year 1963, and a similar list appears in the estimates for fiscal year 1962. No prospectuses covering the acquisition of these buildings were submitted to or approved by the Public Works Committees and two of the buildings, in Washington, D.C., when acquired, were outside the so-called taking area prescribed by former section 8(a) of the Public Buildings Act of 1959.

The *Matomic Building* decision raises questions as to whether accounting officers may now question the legality of expenditures for the buildings, whether the former owners may question the legality of the acquisitions, and whether the decision may cause title problems at such time as the Government may determine to dispose of any such properties.

Changes have been made in the language of the House bill to reflect the fact that former section 8(a) of the Public Buildings Act of 1959 (the so-called taking area limitation within the District of Columbia) was repealed by Public Law 87-476, approved June 8, 1962.

The proposed construction savings language would accomplish two objectives:

(1) It would be made clear for the future that with respect to the acquisition of buildings, and extension or conversion of Government-owned buildings, the use of funds saved from the construction appropriations would not be subject

to the prospectus requirements of the Public Buildings Act of 1959. This would continue the interpretation which has been placed on this and similar provisions beginning with the Independent Offices Appropriation Act, 1960.

(2) In ratifying expenditures heretofore made for acquisition of buildings through the use of construction savings, doubts cast upon the validity of the acquisition of the 20 buildings hereinbefore referred to would be removed. In addition, with respect to past expenditures from construction savings for extension or conversion of Government-owned buildings, the ratification would remove any doubts which the court of appeals decision might have created concerning the authority for such expenditures.

GSA Amendment No. 60

GENERAL PROVISIONS

PROPOSED AMENDMENT

On page 29, of the bill as reported to the House, delete the paragraph beginning on line 19 and running through line 6 on page 30.

BUDGETARY DATA

None applicable.

LEGISLATIVE HISTORY

House hearings: Part 4, pages 1 through 35.

House Report No. 2050: Page 13, "General provisions—* * * The General Services Administration wants to build several new buildings in the District of Columbia under a lease construction program to provide 1 million square feet of additional space. The entire space in each building is to be rented by the Government. With this procedure the committee disagrees since they are completely financed new buildings under lease construction contracts. The committee believes that the Government should own the buildings instead of giving somebody a 10- to 15-year payout.

"The concern of the committee is that lease construction is clearly the most expensive method of providing Government space. Under this method the Government pays rent at $4 to $4.25 per square foot per year and never obtains title to the property. A limitation on use of funds for lease construction projects costing over $200,000 has therefore been included in the bill, but it provides that projects may proceed after obtaining legislative approval in advance of a commitment in the same manner as for public building construction projects financed by direct appropriations pursuant to the Public Buildings Act of 1959."

JUSTIFICATION OF THE AMENDMENT

GSA provides office and storage space of both general and special-purpose character for use of Federal agencies by assigning Government-owned and leased space in buildings, construction of new buildings, and leasing additional commercial space, in the order of preference stated. Section 12(d) of the Public Buildings Act of 1959 increased GSA's leasing authority from 10 to 20 years. Section 16 of that act provides that nothing contained in the act shall limit or repeal existing authorizations for the leasing of buildings by and for the use of GSA. The 1959 Public Buildings Act was passed after extensive hearings. The deliberations clearly indicate that leasing whether of existing buildings or buildings to be constructed was considered as an essential supplemental tool to the construction authority contained in the act to provide GSA with flexibility in meeting space requirements.

It is significant that no requirement was imposed for submission of prospectuses covering proposed leases. If any restriction such as that proposed is to be placed on leasing, the matter would be more appropriately handled as an amendment to the Public Buildings Act, rather than through appropriation act language applicable for a single fiscal year.

The proposed provision would require the approval of prospectuses by the "appropriate" committees of the Congress. It is not clear whether this means legislative committees or appropriations committees or both. Numerous clearances required, before affirmative action is taken, would, of course, delay execution of an orderly space-acquisition program.

The singling out of lease construction makes an unrealistic distinction between the lease of space in existing buildings or buildings already under construction,

and buildings to be erected as a result of the lease transaction. In many cases, better space utilization is possible in buildings to be constructed and the rental, if not lower, is at least no higher than the cost of space in existing buildings or buildings the construction of which is underway before GSA leases space.

Our entire space program is geared to an orderly plan for meeting space requirements on a nationwide basis. Community surveys are made to identify space needs and to determine the best methods for meeting those needs. The plans ultimately approved for each community may involve new construction or leasing of existing buildings, or leasing buildings to be constructed, or a combination of these techniques. The decision as to which methods to use depends on many factors including: (*a*) Availability of funds for new construction, (*b*) availability of existing buildings which might be leased, (*c*) the nature of the space requirements—temporary or short-term need, long-term need, special purpose facilities, etc.

Every attempt is made to meet the requirements in the most economical manner and to retain a reasonable balance between Government-owned space and leased space so as to maintain flexibility in assignment and provision of space to meet the changing needs of the various Federal agencies. As a general rule, it is desirable that about 10 percent of our space in most communities be leased space.

Our general practice in acquiring leased quarters is to solicit proposals on an advertised competitive bidding basis by specifying the amount, quality, and type of space required, and by delineating the areas of the city within which it should be located. Under this procedure, we frequently receive bids for both existing space to be altered and for space in buildings to be constructed. In such cases, evaluation of the bids received may result in a determination, that, price and other factors considered, it is to the Government's interest to accept the proposal for new construction.

Occasionally we solicit bids for leased space specifying new construction only. Acquisitions of this nature are stipulated only after it has been determined through a comprehensive survey of the local rental market that space of the required type and amount can be provided only through new construction. These instances are generally limited to relatively large blocks of space or special-purpose type space needs.

In our letter of March 14, 1962, to the Chairman of the House Subcommittee on Independent Offices Appropriations, we reported on 167 lease transactions involving new construction for the period July 1, 1960, through December 31, 1962. This report showed the following:

(*a*) Leases on bids calling for new construction	29
(*b*) Leases on bids calling for either existing buildings or new construction	138
Total	167

Of the 29 leases calling for new construction, 12 were special-purpose in character to house such activities as Food and Drug Administration field offices and Internal Revenue Service data-processing centers.

Adopting a prospectus routine similar to that required by the Public Buildings Act of 1959 for "buildings and improvements to be erected by the lessor" as proposed by the House would create several operating and procedural problems. Specifically:

1. When we advertise for space, we do not know whether the bidders will propose existing space, buildings under construction, or space in new buildings to be constructed. Accordingly, we would not be in a position to determine in advance as to the need for a prospectus.

2. The development of prospectuses, approval by the Public Works Committees, and the administrative time required in connection with bid evaluations would far exceed the normal bid acceptance period of 30 to 60 days. Contractor arrangements such as options on real estate, financing commitments, etc., would be jeopardized if bid acceptance extends beyond 60 days.

3. The number of bidders would be reduced since only those with adequate financing in hand would be able to participate in the bidding. The smaller contractors must have a lease commitment from GSA before adequate financing arrangements could be completed. There is a real danger that this situation will result in increased costs to the Government.

4. The $200,000 limitation would delay action in accomplishing one of the major objectives of our space program: namely, that of consolidating agencies into one or a minimum number of locations.

(*a*) In the District of Columbia area, our objective is to consolidate agencies to improve the efficiency of their operations. For example: The Department of Labor is scattered in 20 locations in the District of Columbia area; the Department of the Interior is housed in 21 locations.

(*b*) Outside the District of Columbia area, consolidation of agencies has two advantages: (1) Convenience to the public in doing business with the Government, and (2) economy in rental costs due to leasing of larger blocks of space in lieu of many smaller parcels.

Under the $200,000 limitation, any building in excess of approximately 10,000 square feet would have to await clearance of prospectuses, thus risking loss of flexibility in acquiring relatively small blocks of needed space immediately upon its becoming available; 41 of the 167 lease actions mentioned above exceeded $200,000.

5. Clearance of prospectuses with "appropriate committees of the Congress" would entail considerable delay in acquiring space while the Congress is not in session; similarly, the press of committee business during a session of Congress would not always permit expeditious action on prospectuses submitted for approval.

6. The applicability of the House language to all types of space would preclude expeditious action on special-purpose space, such as the Food and Drug Administration laboratories and field offices.

7. The changing space requirements of executive agency programs necessitates a constant adjustment of space planning and locations. It is, therefore, quite difficult to project with a high degree of accuracy the total space needs in a given community and, of that space need, how much will or must be acquired by lease-construction

8. The establishment of maximum limits of cost on the amount of rentals to be paid under a prospectus project for lease-construction would, at best, be a guess, since the Government is not constructing the building. Whatever the maximum limit in the prospectus, it is possible that no bids would be received within that amount and a resubmission at a higher cost limit would be necessay. This would further delay provision of the space requirements.

GSA amendment No. 61

GENERAL PROVISIONS—INDEPENDENT OFFICES

PROPOSED AMENDMENT

On page 56 of the bill, as reported to the House, delete lines 12 through 16 which read as follows: "Sec. 303. No part of any appropriation contained in this or any other act, or of any funds available for expenditure by any corporation or agency, shall be used for construction of fallout shelters unless the specific projects have been authorized by appropriate committees of the Congress."

BUDGETARY DATA

None applicable.

LEGISLATIVE HISTORY

House hearings: No mention.

JUSTIFICATION OF THE AMENDMENT

It is recommended that section 303 be deleted in its entirety. This recommendation is made in support of the administration's policy on providing leadership in a national shelter program. It is understood that the Office of Civil Defense, Department of Defense, will more fully justify this proposed amendment.

OPERATING EXPENSES, PUBLIC BUILDINGS SERVICE

Senator MAGNUSON. For the purpose of the record, let us take the first item.

If the committee members will turn to the House report, on page 9 you will find that is listed. The first item they have is operating expenses. In that case the appropriation for 1962 was $175,120,000. The budget estimates for 1963 were $187,400,000, and the House

recommended $175 million in that case, which is just $120,000 under the 1962 appropriations and $12,400,000 under the present budget.

HOUSE REPORT

The House says, and I quote from page 9:

Operating expenses, Public Building Service.—The bill provides $175 million for the basic real property operations of GSA. This is a reduction of $12,400,000 in the budget estimate and provides about the same level of operation as in 1962.

For several years the committee has expressed its concern for the rising cost of leasing and operating space for civilian agencies of the Government. Operating expenses for the Public Buildings Service have increased from the appropriation of $103.7 million in 1956 to a requested $187.4 million for 1963. During this period Federal civilian employment has increased less than 3 percent and many new Federal buildings have been completed thus eliminating the cost of expensive leased property, yet the costs in recent years have increased sharply and the estimate for 1963 is 80 percent higher than the appropriation 7 years ago.

JUSTIFICATION FOR INCREASE IN 1963 ESTIMATE

In other words, they make the point here regarding the rising costs of leasing and operating space and they note that there has been an increase in the appropriation from $103 million in 1956 to $187 million in 1963, and that during this period Federal civilian employment has increased less than 3 percent, and Federal buildings have been completed—many new ones—thus eliminating the cost of expensive leased properties. Yet the estimate in 1963 is 80 percent higher than the appropriation 7 years ago.

If you will direct yourself to that for the committee, we will be very appreciative.

STATEMENT OF THE ADMINISTRATOR

Mr. BOUTIN. Thank you, Mr. Chairman, and members of the committee.

I would like to introduce several factors here that I think are extremely germane to this subject we are talking about.

Set forth in the appeal document itself are some of the arguments in favor of and in justification of this restoration of $12,400,000 we are asking for. I would like to point out that since 1956 the percent of leased space has decreased to 25.8 percent of the total space we manage. It is estimated for 1963 we will have a total of 139,830,000 square feet of space under our jurisdiction. This includes Government-owned space as well as leased space, and of the total 25.8 percent is leased. The total number of square feet of leased space increased as Government requirements increased but the percentage of the total has decreased. We estimate for fiscal 1963 our requirement will be 36 million square feet of leased space nationwide. This includes special purpose space like our Food and Drug laboratories and space for the automatic data computing centers for the IRS program. It includes special purpose space like the space for the communicable disease program of the Department of Health, Education, and Welfare. Then it includes a great deal, of course, of pure office space, in which our philosophy very definitely is that the Government should own those buildings. We are not in favor of leasing except where it is required that we do lease.

BACKLOG IN REQUIREMENTS

We have a tremendous backlog of public building needs, going back to 1940, during the World War II years and the Korean war years, when no Federal buildings to any extent were constructed. So there is a great backlog of requirements. In fact, when the 1959 Public Buildings Act was passed, it was estimated that we had $3 billion of requirements for new Federal construction before we reached a plateau where we could come before this committee or go before the American people and say that the requirements have been satisfied.

COST OF OPERATING NEW BUILDINGS

I would also like to point out that as new buildings have been constructed and these buildings have been filled, that we have operating costs that go along with that, such as cleaning and maintenance costs. Also, as Government agencies under the policy we have now, need leased space for expansion, they provide the first-year lease money, and at the end of the first year we have to pick up this responsibility.

Actually we are not talking in terms of spending money, but are trying to talk, Mr. Chairman, and members of the committee, in terms of saving money. We are coming to this committee and the Senate and House Committees on Public Works and the House Appropriations Committee just as rapidly as we can with public building projects to be funded by direct appropriations. However, if we were to come in with our total requirement, it would be impossible to have such a large amount in one budget to finance them.

CONSOLIDATION OF ACTIVITIES AIM

We are also aiming very definitely at consolidating wherever possible all activities of the Government in a given community. I think Washington is a case in point, where we have 147 leased locations right now with agencies split up all over the place at great expense to the Government. We are trying to overcome this by using every tool we have, both by lease of new construction and existing buildings that we can use, but primarily with Government-owned space. That is our first source of supply, so to speak, and we have to use these other methods of acquiring space as we go along.

Mr. Knott, would you like to add to what I have talked about here?

Mr. KNOTT. I believe that you have covered it, but I would like to say that the increase in our appropriations since 1956 has been for items over which GSA has no control. Fifty-seven percent of the increase was increases in wages and salaries and increases in rental rates and utilities, and other building items; 30 percent was for facilities and functions transferred to GSA which were previously funded by other agencies. Also during the same period the Federal employment which we house has increased over 18 percent.

ACCORD WITH HOUSE REPORT

Senator ALLOTT. Mr. Chairman.

Mr. Boutin, from your testimony here I would say that what you have said is completely in conformity with the statement that the House made in their report, is it not?

Mr. BOUTIN. No, I do not think it is, Senator. Not that I want to get into a dispute with the House committee, but our problem is——

Senator MAGNUSON. They said some very nice things about you.

Mr. BOUTIN. That we are delighted with, Mr. Chairman.

Senator ALLOTT. I want to say personally I think you have been doing a wonderful job.

Mr. BOUTIN. Thank you, sir.

Senator MAGNUSON. And your staff. They also mention that.

POLICY ON LEASING

Senator ALLOTT. And all the staff.

You agree with the House in this respect: That your emphasis is that usually the fundamental purpose should be to own rather than lease.

Mr. BOUTIN. Absolutely.

Senator ALLOTT. And that is the real purpose of the House language as I read it—to get away from the policy of leasing per se.

In this respect you are completely in accord with them?

Mr. BOUTIN. We are in accord with that objective.

Senator ALLOTT. Although your explanation states why it is impossible for us to drop all leases immediately and get into a construction program that would then be necessitated.

Mr. BOUTIN. Absolutely. To that extent.

Senator ALLOTT. Yes.

PRESIDENTIAL DIRECTIVE ON SPACE

Mr. BOUTIN. What I was in disagreement with, Senator, is it was just absolutely impossible for us to meet our obligations under the Public Buildings Act of 1959 and under the Federal Property and Administrative Service Act of 1949, without the directive every Administrator of the General Services Administration has looked for from the President on the responsibility to assign and reassign space to meet our commitments which we now have. If we are going to be subjected to a cut in appropriations as forecast in the House document we could not do an effective buildings management job as visualized in the 1959 act and the recently issued Executive order on space management.

Senator ALLOTT. Where would this hit you?

Mr. BOUTIN. It would hit us primarily in the area of preventive maintenance and cleaning. At the level of cleaning. We are now trying to maintain a level of cleaning of 80 percent of our standards. We would love to get to 100 percent but have not been able to do it. This would reduce it from that, and we are talking about 65 to 70 percent or less. The cost of repair and maintenance would be substantially increased if we were to have to do that. Dirty buildings are certainly not good for the employees or the general public either.

Senator ALLOTT. Mr. Chairman, this is an aside, but yesterday morning we got into this lease business with respect to the medical center at Oklahoma City.

Senator MAGNUSON. Yes.

Senator ALLOTT. Afterward I found out that perhaps the record should be corrected to show that the Oklahoma City property and facility does become the property of the Government at the end of the lease period. After all our talking about it yesterday morning, no one mentioned that fact.

Senator MONRONEY. No, I do not believe that is correct.

Senator MAGNUSON. In how many years?

Senator ALLOTT. I am not sure how many years, but at the end of the lease period, I was told after the hearing.

Senator MONRONEY. No, that is not right.

POLICY ON REVERSION OF PROPERTY

Senator MAGNUSON. Under the lend-lease program generally the Government after 20 years could take over the building, but in the meantime we were paying from 40 to 45 percent, and up to 50 percent in some cases at times if we built it ourselves. There was some doubt at the end of 20 years whether you wanted the building. That is why the two committees changed that over and said, "Build where you can within the amount you can press the Congress to give you."

Mr. BOUTIN. That is correct.

Senator MAGNUSON. And put the emphasis on building buildings and less emphasis on leasing or renting them.

Mr. BOUTIN. If I may speak to that, Mr. Chairman.

Senator MAGNUSON. We will get that for the record as to when we can take it over.

Senator PASTORE. The Senator means lease-purchase rather than lend-lease.

Senator MAGNUSON. That shows you how old I am. I am talking to the great and able Administrator. The lease-purchase plan, of course.

Mr. BOUTIN. We are in complete agreement with the philosophy.

Senator MAGNUSON. But it was lend-lease in a sense too.

Mr. BOUTIN. Yes.

Senator MAGNUSON. I will get out of this one. It had the same gratuitous purposes.

AREA OF DISAGREEMENT

Mr. BOUTIN. Our only area of possible disagreement, and I really do not believe there is a disagreement here, Mr. Chairman, once all the facts are stated here, talking about this lease situation, if we can go out and lease for a longer period of time—and Congress in its wisdom has given us a 20-year leasing authority under the 1959 act—if we can go out and, by renting for a longer period of time, substantially reduce our costs, which we can illustrate clearly, and can further reduce Government expenses through consolidation, then this is the area we are looking to. When this is possible we would like to retain the authority to do it.

Senator PASTORE. May I ask a question on that very point?

Senator MAGNUSON. Yes.

Senator PASTORE. Mr. Boutin, on page 29 of the House bill, the language beginning on line 19, what does that do to you along the lines of what you are speaking about, namely, a leasing authority? To me it looks like a restriction on this authority.

SEPARATE REQUESTS FOR EACH BUILDING

Mr. BOUTIN. That is precisely true, Senator Pastore. In effect this would cripple our operation. We are extremely opposed to this language, because what this would in effect mean is on any building that was going to cost $200,000—and we are talking there about those buildings that would contain 10,000 or less square feet, being realistic—we would have to come before Congress specifically for special permission each time.

In many, many instances, and, in fact, in the vast majority of the times, if we go out for the lease of space we may need 50,000 square feet subject to certain specifications. For example, it must be within a certain delineated area, and so forth. If we go out for lease of that space, we will accept either new or existing space renovated to meet our needs. It has been surprising to find in many instances we have been able to get bids lower for new space than for renovated existing space. So this would be a crippling amendment to our authority.

Senator PASTORE. In fact, the proviso beginning on line 1 on page 30 would not help it in any way. It says—

Provided, That the foregoing proviso shall not be applicable to projects for which a prospectus for the lease construction of space has been submitted to and approved by the appropriate committees of the Congress in the same manner as for public buildings construction projects pursuant to the Public Buildings Act of 1959.

EFFECT OF LANGUAGE

Mr. BOUTIN. This would mean, Senator—excuse me—that we would have to go to—I take it from this they are referring to the Public Works Committees—with a prospectus in each of these cases. It would slow down our operations greatly, and our obligation to fulfill our responsibilities. This has never been a requirement before, and unless the Congress has specific objection to the way we are trying to conduct the business of the General Services Administration—and all of our aims are to try to save money—we think this would serve no useful purpose at all.

Senator PASTORE. In other words, you say if it is going to remain in the bill that this would lead to waste?

Mr. BOUTIN. Yes, sir; it would definitely lead to waste, for this reason: We would still have to satisfy space requirements. For instance, the man-in-the-moon program of NASA. They come to us and say, "We have to have 25,000 square feet of space right away."

Well, under this restriction we would almost have to, without any equivocation at all, take space in existence and pay the going rate on it, and if it is in short supply we would take an awful licking.

As an illustration of that, we recently went out for space in Washington, and on an emergency basis, and ended up paying $6.34 a square foot, which is, in my judgment, completely unrealistic and unjustifiable, if we make full use of the tools we have. We proved it by going out for bids on 1 million square feet, and have an offer now for $3.85 a square foot.

DELAY ON LEASE OF PROSPECTIVE BUILDING

Senator PASTORE. The point it is hard for me to understand is this, and I would like to have the record clear on it because it has been brought to my attention. This only applies in a case where you have to engage in a lease of a building to be built.

Mr. BOUTIN. Yes.

Senator PASTORE. Why is the need for this space so immediate that you could not negotiate with the prospective builder on the grounds that this matter would be referred to an appropriate committee and have them consider it? Why would you be delayed on this?

PROCEDURES ON LEASING

Mr. BOUTIN. We are talking in terms of procedures themselves. As a general rule we try to keep completely away from the area of negotiation except negotiation after bids are in, where, if we do not receive an acceptable price we may call in bidders and negotiate with each and every one of them. Our primary method, and I think it is the only fair and reasonable method, is to use competitive bids.

Senator PASTORE. That is right.

Mr. BOUTIN. It is impossible for us to make an estimate of costs without first testing the market to know where we are going. We are talking about months of delay.

Senator PASTORE. In other words, you could not start any negotiation without first receiving the authority.

Mr. BOUTIN. That is correct.

Senator PASTORE. And it delays the granting of the authority, which delays your negotiations.

Mr. BOUTIN. It would delay the whole thing.

Senator PASTORE. Even though the need is not immediate.

Mr. BOUTIN. You can imagine if you were a contractor, Senator, being asked by the Government to bid, knowing this was going to be subject to action by the Congress and delayed until that time, with circumstances changing all the time. You would be very hesitant to give your best price.

UNAWARENESS OF HOUSE LANGUAGE

Senator PASTORE. Did you know this language was in the bill when you came before the House?

Mr. BOUTIN. No; I did not.

Senator PASTORE. In other words, has your position ever been stated to the House Members with reference to this?

Mr. BOUTIN. No; it has not, because when this bill was reported out it was the first time we saw this language at all.

Senator PASTORE. So this is the first opportunity you have had to discuss it?

Mr. BOUTIN. That is correct.

Senator COTTON. So that what you are seeking or hoping for at the present time in the Senate is two things: One, release you from the bondage of that language and, secondly, restore the $12 million.

Mr. BOUTIN. $12.4 million for operating expenses, Public Buildings Service. We think this restriction serves no useful purpose.

If I could indicate to this committee where it would be helpful to the committee or the Government to have such a restriction, I would not be against it certainly, but I do not see where it does any good at all. It just shackles our hands in the problem of trying to do a good job in space management.

If we were in disagreement with the committee as to the first priority being given to Government-owned buildings, that would be another matter, but we are in complete harmony with what Congress wants to do.

REDUCTION IN SERVICES

Senator MAGNUSON. I understand that the bulk of this House cut would affect the maintenance of the buildings—what we call the janitor work and cleaning.

Mr. BOUTIN. And guarding.

Senator MAGNUSON. You would have to cut that down.

Mr. BOUTIN. We would definitely have to cut that down.

Senator MAGNUSON. Has the cost of the hourly rate for people in the custodial services gone up since last year?

Mr. BOUTIN. Senator Magnuson, you hit a point that I should have covered, and I am very happy you brought it out, because this is precisely true. The major portion of this group of employees are wage board, and their rates of pay, of course, are reviewed periodically.

We have had very substantial increases in this area on a year-to-year basis.

Senator MAGNUSON. And some of them have been long overdue.

Mr. BOUTIN. Oh, long overdue. Very long overdue.

Senator MAGNUSON. These people were paid the least, and all of them were hard workers. It is long overdue.

STANDARDS FOR MAINTENANCE AND CUSTODIAL WORKERS

Mr. BOUTIN. And we have prescribed very definite standards for these people. These people are, as you say, Mr. Chairman, hard-working people who have done a good job. These costs have gone up and we have no control over these costs. We can prescribe standards and say each employee shall clean so many square feet, which we do. We prescribe the standards and evaluate the performance. But the matter of wages has not been within our jurisdiction at all.

I am very happy you brought it out.

Senator MAGNUSON. I want to cover another thing for the record.

I had occasion to check with a group that handled private custodial services as against your group in public buildings. The pilferage and the theft or missing things and delinquencies in public buildings was far less than in buildings where they hire them, that there was no comparison.

Mr. BOUTIN. It is almost nonexistent.

Senator MAGNUSON. Almost none at all.

Mr. BOUTIN. Thank goodness, Mr. Chairman.

MATOMIC BUILDING

Senator PASTORE. I would like to bring up the Matomic matter and I would like to discuss it whenever you bring it up.

Senator MAGNUSON. The what?

Senator PASTORE. The Matomic—the building leased, which you condemned.

Senator MAGNUSON. We will get to that. Is that in this item?

Mr. BOUTIN. No.

Senator PASTORE. Isn't this the appropriation out of which that money was raised in order to buy that building?

Mr. BOUTIN. No; it was not.

Senator PASTORE. When we get to that item I would like to discuss it.

Senator MAGNUSON. What would that be in?

Mr. BOUTIN. Under construction, because this was purchased from construction savings.

Senator MAGNUSON. It is down the list. It is the next one.

Are there any further questions on operating expenses? If not, we will go down to repair and improvement of public buildings.

REPAIR AND IMPROVEMENT

In that case, for the record, the 1962 appropriations were $58 million. This budget for 1963 was $65 million. The House recommended $65 million, $7 million up from last year. That, as far as you people are concerned, remains the same.

Mr. BOUTIN. Yes. We are not appealing that item, Mr. Chairman.

Senator MAGNUSON. I have a couple of questions which have nothing to do with it in total amount, but involve the restriction on the improvement and repair of projects in the hospitals that are run by the Public Health Service.

I want to put in the record the President's statement where he directed the Department of Health, Education, and Welfare to develop a plan providing more readily accessible hospital care for seamen and improving the physical facilities of the Public Health Service hospitals which are needed to provide such care.

What are the current restrictions on improvement and repair? Can anybody answer that?

Mr. SCHMIDT. We have an amount included in our repair and improvement appropriation for Public Health hospitals. I believe the amount is $2 million. This amount is developed with the Department of Health, Education, and Welfare, and with their assistance we program that through the year, so that any increase that should be allocated for that purpose really would have its origin with the Department.

LIST OF ESSENTIAL IMPROVEMENTS REQUESTED

Senator MAGNUSON. Yes. I understand you are agents, but you can be persuasive in this matter in talking with them. I want you to supply for this record a list of the improvements and repair projects currently deemed essential by the Public Health Service with identification of those carried over from last year, and a list of those actually approved. The regulations and directives either by the Bureau of the Budget, the General Services Administration, or the Public Buildings Service covering these restrictions. Also I have some questions regarding the marine hospitals, and whether or not there has been any study by your people or the Department of Health, Education, and Welfare on their needs.

Mr. SCHMIDT. We can furnish that.

Senator MAGNUSON. And I want to put in the record a letter from the maritime groups on this. The reason why I ask is, we find great difficulty in handling seamen who are eligible in these particular Public Health hospitals. They are sort of orphans and there are restrictions on getting more beds, and so on.

So if you will take this, we will put this in the record.

Mr. BOUTIN. We work very closely with them, Mr. Chairman, on clinics and any other facilities.

Senator MAGNUSON. Supply it for the record.

(The information referred to follows:)

LABOR-MANAGEMENT MARITIME COMMITTEE,
Washington, D.C., August 6, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: For the past several years, it has been the practice of the Bureau of the Budget, and in turn the General Services Administration, to deny all ordinary capital improvements and repairs except those of the most emergent nature, or where actual safety of the patients is involved. This practice brought about a considerable amount of deterioration in many of the general Public Health hospitals throughout the country.

Under date of April 16, 1958, the Acting Chief of the Commerce and Finance Division of the Bureau of the Budget sent a letter to the Commissioner of the Public Buildings Service requesting that agency not to proceed with contracts for design or repair work on Public Health Service facilities other than those required by emergency or safety to the occupants. The same communication stated that the whole Federal program of maintaining these hospitals was under intensive study and that some of them would possibly be closed or transferred to non-Federal agencies. The order forbade air conditioning or repairs other than those falling within the absolute emergency or safety categories. This policy has persisted for several years. There is an escape clause which provides that with prior approval of the Bureau of the Budget, certain work could be accomplished. Such approval has been exercised under the most restrictive rules and has been limited to the most urgent circumstances where expenditures were for the most part unavoidable.

Thus, the policy has not been one directed toward the proper maintenance of these facilities. It has rather been one of meeting only the bare urgent necessities. It appears to us, from our several conferences with the Bureau of the Budget that the Bureau was pursuing a negative policy with regard to the service. The letter of April 16, 1958, referred to above stated that the need for the Federal Government maintaining general health hospitals was under intensive study.

Herein lies the crux of the problem of Public Health Service hospital deterioration over the past several years. By not recommending funds, or by withholding appropriated funds, the executive branch of Government may apparently deteriorate or even destroy a program otherwise authorized by the Congress of the United States. If so, this would appear to present an unfortunate situation indeed. Much of the medical and hospital program now carried on by the Public Health Service was instituted in 1798 under the Presidency of John Adams. Its history extends over a period of almost 165 years. It has served the Nation well, both in times of peace and in war or national emergency. The Public Health Service was the principal health agency supplying the staff and other professional needs for setting up the Veterans' Hospital program in 1923. Only recently, it has served in the same capacity for the National Aeronautical Space Agency. In addition to the other beneficiaries, merchant seamen are given medical care as a part of our Nation's program to prevent contagion from foreign lands and to provide an able and efficient maritime force for our national defense and security.

If it were a question of overhospitalization as to facilities, this would obviously be a matter for consideration. However, this does not appear to be the problem. Following World War I and continuing on through the readjustment period, the number of hospitals was drastically reduced. A number of these institutions were discontinued between the years of 1946 and 1953 as indicated below.

Sheepshead Bay, N.Y., 1946; Evansville, Ind., Louisville, Ky., 1947; Buffalo, N.Y., Pittsburgh, Pa., 1950; Vineyard Haven, Mass., Mobile, Ala., 1952; St. Louis, Mo., Portland, Maine, San Juan, P.R., Cleveland, Ohio, Fort Staunton, N. Mex. (tuberculosis hospital), 1953.

In 1960, the Manhattan Beach (N.Y.) Hospital was closed, however this was a specialized tuberculosis hospital and cannot be classed in the so-called general hospital category. In this case the patients were transferred to other facilities.

The remaining 12 general Public Health Service hospitals are at (1) Baltimore, Md., (2) Norfolk, Va., (3) Memphis, Tenn., (4) Staten Island, N.Y., (5) Boston, Mass., (6) Galveston, Tex., (7) New Orleans, La., (8) Seattle, Wash., (9) San Francisco, Calif., (10) Chicago, Ill., (11) Detroit, Mich., and (12) Savannah, Ga. They are spaced geographically on all three coasts with two located on the Great Lakes Waterways and one situated rather centrally in the Mississippi River Basin. These locations, in addition to their geographic importance, are also spaced in terms of caseload demands.

In addition to the 12 general hospitals, there are three special institutions, a leprosarium at Carville, La., and institutions in phychiatry and narcotics at Lexington, Ky., and Fort Worth, Tex. No serious problems are presented with respect to these institutions. Special attention has been given to them even of recent date, and their improvement and repair needs are met on a much more substantial basis.

The general Public Health Service hospitals present a very different situation. The deteriorating effects of the improvement and repair restrictions are quite in evidence and corrective action should be taken.

What is currently being suggested is not an expanded program of construction or hospital replacement—not a program of extensive modernization—although in some locations, great need exists in these areas. What is being suggested is the simple expedient of allowing essential capital improvements and urgent repairs to be made. What is needed first of all, is action to prevent the deterioration and decay of these hospitals which have resulted from arbitrary bans on simple improvements, even where funds are available. Dire emergency needs or the absolute safety of the occupants should not be the sole criteria for maintaining these great institutions. Unless this committee acts to guard against such practices, the Public Health Service general hospital program may eventually fall into decay and abandonment through budgetary attrition.

The Labor-Management Maritime Committee is paticularly conscious of this situation due to having reviewed the Public Health Service hospital program directly over the past 5 years.

In 1957 the then Surgeon General, seeking labor and management's views on the adequacy of the service to merchant seamen, requested that our organization visit the hospitals and report on our findings and opinions. This we did in a document released on August 12, 1958. Copies were supplied to the Bureau of the Budget as well.

On December 8, 1960, the Surgeon General suggested that we revisit the hospitals and that it would be beneficial if our comments could be supplied to the Public Health Service. This is being done currently. Our report when completed, will indicate many situations where improvements are needed.

We are encouraged with a recent development in this matter, however. As of August 6, 1962, we received a list of recently approved projects for improvement and repair which is heartening. While the number of these recently approved projects is quite limited in terms of total needs, it represents considerable progress. We attach a listing of these and the locations affected.

We suggest that the committee commend this action on the part of the Bureau of the Budget and the General Services Administration and encourage similar action where needed to properly maintain these institutions. We believe the committee should set forth the principle that it is not the intent of the Congress that there should be general prohibitions against necessary improvement and repair projects and that every effort should be made to maintain the Public Health Service hospital facilities in good and serviceable condition.

We request that this document be made a part of the official record of the hearings on appropriations for independent offices.

Respectfully,

EARL W. CLARK,
HOYT S. HADDOCK,
Codirectors.

GROUP II.—*U.S. Public Health Service hospitals*

Project No.	Description	Estimated cost
	NEW ORLEANS, LA.	
1	Alterations to 2d floor, research building (building No. 16)	$51,720
2	Replacement of 2 passenger elevator cars in hospital building	64,000
4	Alterations to boilerroom equipment	30,000
	3 projects estimated to cost	145,720
	SAN FRANCISCO, CALIF.	
1	Alterations to surgical suite	24,000
2	Air conditioning of surgical suite	39,000
3	Remove 3 skylights	2,640
	3 projects estimated to cost	65,640
	SEATTLE, WASH.	
4	Provide research space on 11th floor of main hospital building, altering rooms as necessary	61,000
	1 project estimated to cost	61,000
	STATEN ISLAND, N.Y.	
1	Cardiopulmonary research laboratory	15,000
8	Completely renovate all areas in X-ray department buildings Nos. 1 and 7	98,000
	2 projects estimated to cost	113,000
	Total, the above 9 projects are estimated to cost	385,360

1. The President in his health and medical care message to the Congress stated:

"I have directed the Secretary of Health, Education, and Welfare to develop a plan for providing more readily accessible hospital care for seamen and for improving the physical facilities of those Public Health Service hospitals which are needed to provide such care."

How are current restrictions on improvement and repair projects in these hospitals reconciled with this directive?

2. Can you supply for the record:

(*a*) A list of the improvement and repair projects currently deemed essential by the Public Health Service?

(*b*) An identification of those carried over from last year?

(*c*) A list of those actually approved for the current fiscal year?

3. Will you supply for the record a copy of any current regulations or directives by either the Bureau of the Budget or the General Services Administration or the Public Buildings Service covering restrictions on improvement and repair projects in Public Health Service hospitals?

4. Do the executive agencies involved with the problem of maintaining these hospitals recognize that their existence is a matter of congressional policy and has been since the year 1798 when they were first instituted as marine hospitals? Is it not recognized that failure to maintain them at proper standards has a direct bearing on this longstanding congressional policy?

5. Have you made any comprehensive studies of the needs of the Public Health Service hospitals? If so, what action has been taken by your organization to meet those needs?

PUBLIC HEALTH SERVICE HOSPITALS

The statement below shows the estimated cost of general renovations and air-conditioning work required at the 12 PHS hospitals referred to in letter of August 6, 1962, from the Labor-Management Maritime Committee to Hon. Warren G. Magnuson, chairman, Commerce Committee, U.S. Senate.

The estimated cost of requirements at these locations is taken from reports developed from engineering inspections of the facilities. The dates of these inspections range from 1958 to 1962, and estimates are based on cost indexes at the time inspections were made.

General renovation work required at these facilities consists mainly of the following items.

1. General upgrading of space, including surgical suites, wards, laboratories, outpatient clinics and food handling facilities.
2. Modernization of mechanical and electrical systems, heating plants, elevators, and plumbing.
3. Major structural repairs and replacements.
4. Extensions to existing facilities, particularly at Baltimore, Md.; New Orleans, La.; and Seattle, Wash.

	Estimated requirements		
	Renovations	Air-conditioning	Total
Baltimore, Md	$1,600,000	$1,200,000	$2,800,000
Boston, Mass	850,000		850,000
Chicago, Ill	400,000	600,000	1,000,000
Detroit, Mich	950,000	750,000	1,700,000
Galveston, Tex	405,000	210,000	615,000
Memphis, Tenn	188,000	224,000	412,000
New Orleans, La	3,779,000	821,000	4,600,000
Norfolk, Va	700,000	750,000	1,450,000
San Francisco, Calif	2,425,000		2,425,000
Savannah, Ga	170,000	100,000	270,000
Seattle, Wash	2,200,000		2,200,000
Staten Island, N.Y	1,800,000	2,250,000	4,050,000
Total	15,467,000	6,905,000	22,372,000

While air-conditioning has been provided in the past for some surgical suites and laboratories, no general air-conditioning systems have been installed at any of the locations shown in the above statement. For the past several years about $2 million has been allocated annually for improvements to PHS facilities from appropriations to General Services Administration. Under this funding limitation no appreciable amount of air-conditioning can be provided in addition to the urgent work that is currently required.

The Public Health Service has not yet advised GSA of their proposed program for 1963. However, in addition to the jobs shown in the attachments to letter of August 6, 1962, from the Labor-Management Maritime Committee, the following approved projects have been carried forward and will be undertaken in fiscal year 1963:

Boston, Mass.: Alterations to 1st floor east wing, lighting replacements, etc	$48,800
Chicago, Ill.: Boiler and window repairs	5,000
Detroit, Mich.: Structural and rest room alterations	27,100
Galveston, Tex.: Retubing boiler, cooling tower and fire escape repairs	19,900
Memphis, Tenn.: Emergency boiler repairs, driveway repairs, and painting	22,500
New Orleans, La.: Fire protection alterations	154,300
Norfolk, Va.: Alterations to admitting cubicles	2,500
Savannah, Ga.: Structural, plumbing, and boiler repairs	34,500
Staten Island, N.Y.:	
Resurface roadways, sidewalk and ramp repairs	26,500
Painting and plaster repairs	18,500
Repair porches, and modernize kitchen	12,000
Total	371,600

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., April 16, 1958.

Mr. F. MORAN MCCONIHE,
Commissioner, Public Buildings Service,
General Services Administration, Washington, D.C.
(Attention Mr. William A. Schmidt.)

DEAR MR. MCCONIHE: The need for the Federal Government maintaining general public health hospitals is under intensive study by the Department of Health, Education, and Welfare and the Bureau of the Budget. It is possible that some of these hospitals will be closed or transferred to non-Federal agencies.

Under these circumstances, air-conditioning or repairs other than those required by emergencies or the safety of the occupants would not be in the best interests of the Government.

You are, therefore, requested not to proceed with contracting for design or repair work on these hospitals (including minor recurring maintenance) without prior clearance with this Bureau. The hospitals covered by this letter are the Public Health Service hospitals in Baltimore, Norfolk, Memphis, Savannah, San Francisco, Chicago, Detroit, Seattle, Staten Island, Boston, Galveston, and New Orleans.

Sincerely yours,

J. J. EIGENMANN,
Acting Chief, Commerce and Finance Division.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 20, 1958.

Mr. F. MORAN MCCONIHE,
Commissioner, Public Buildings Service,
General Services Administration, Washington, D.C.

DEAR MR. MCCONIHE: Reference is made to Mr. Eigenmann's letter of April 16, 1958, regarding contracts for alterations at Public Health Service hospitals.

To clarify the intent of our April 16 request, the Bureau of the Budget does not wish to review proposed maintenance work at Public Health Service hospitals, repairs which are necessary for continued operation of the hospitals or projects the need for which is related to the safety of the occupants of the buildings. The Bureau is interested only in reviewing proposed capital improvements (including air conditioning) and major alterations to or replacements of existing facilities. As a further guide in the disposition of projects which are not clearly in one of these categories, any project, the estimated cost of which exceeds $25,000, should be submitted for review.

In order to insure uniform application of this policy, it is requested that the hospitals at Lexington, Ky., Fort Worth, Tex., and Carville, La., be added to the previous list.

Will you kindly advise the Department of Health, Education, and Welfare of this clarification of the April 16 letter?

Sincerely yours,

SAM R. BROADBENT,
Chief, Commerce and Finance Division.

MARCH 2, 1959.

To: Regional Commissioners, regions 1, 2, 3, 4, 5, 7, 9, and 10
Attention: Regional directors, PBS.
From: Acting Director, Repair and Improvement Division, Office of Buildings Management.
Subject: U.S. PHS hospitals and facilities R. & I. policy and guides.

Enclosed is a guide which has been developed for the information and guidance of GSA and HEW personnel in determining which items require Bureau of the Budget approval and which items do not require such approval.

In the event BOB approval is required, it will be the responsibility of HEW to submit such information as is necessary to BOB. The General Services Administration will concur in the scope of work and estimated cost of the work prior to submission of requests for approval to BOB.

GSA regional offices will not proceed with any items requiring BOB clearance until the central office advises the region that the required HEW approval has been received in writing from the Director, Division of General Services, Office of the Secretary.

With respect to the hospitals at Chicago, Detroit, Galveston, Manhattan Beach, Memphis, and Savannah, no new work should be undertaken at the hospitals by GSA after this date other than that which prudence would indicate essential to the continued operation of the hospitals for a period of 6 months. Upon change in such status of any or all of these six hospitals, you will be promptly advised.

The Chief Engineer of major maintenance memorandum dated December 23 requested that immediate attention be given to projects concerned with the absence of surgical and obstetrical area conductive flooring in nine PHS hospitals. Since Chicago, Memphis, and Savannah referred to above are included in this group it is especially important that HEW clearance be obtained by this office prior to the advertising for bids.

The Department of Health, Education, and Welfare is anxious to proceed with the work of improving the PHS hospital operating conditions as may be necessary for the providing of efficient service and proper environmental conditions. If there are any problems or questions in connection with these objectives they should be forwarded to this office as soon as practicable.

JAMES N. MORRIS.

GUIDE FOR CLASSIFYING PROJECTS

BETTERMENT OF BUILDINGS AND FACILITIES, USPHS

The following is a guide for classifying betterment projects proposed for USPHS hospitals, according to the DHEW interpretation of the May 20, 1958, letter from the Bureau of the Budget to the Commissioner, Public Buildings Service.

A. Definitions:

1. *Capital improvement.*—Any addition or replacement which increases the capacity of or changes the basic design of the property, e.g., the addition of wings, major alterations which effect the structural quality, or the installation of an additional item of fixed equipment or a fixed equipment replacement which substantially exceeds the productive capacity or scope of the item it replaces.

2. *Major alteration.*—Any change or modification of existing buildings or structures which alters or makes the property different either by changing or maintaining its original intended use, or adding to it, or improving it (as in the case of a capital improvement) and estimated to cost in excess of $25,000.

3. *Major replacement.*—Any replacement of existing facilities, estimated to cost in excess of $25,000, such as elevators, boilers, generators, or laboratories, dining rooms, kitchens, etc., with comparable facilities taking into consideration technological improvements or identical new facilities, in lieu of repair, which does not appreciably add to or enhance the facilities as a capital improvement.

4. *Maintenance work.*—Action taken to defer or alleviate deterioration of the building, structure, or facility, e.g., painting, pointing of masonry walls, patching of walls, roofs, roads, etc.

5. *Repairs necessary for continued operation of a hospital.*—Any action required to restore property to a useable condition after breakdown, deterioration, decay or partial destruction by mending, replacement with like type items, painting, etc.

6. *Projects necessary for safety of occupants of a hospital.*—Any repair, maintenance, capital improvement, major alteration, or major replacement which is necessary to correct a fire or safety hazard which could reasonably be expected to result in serious human injury or damage to Government property.

7. *Project.*—Defined, for the purpose of this program, all repair, alteration, replacement or improvement work (items 1 through 6 inclusive) which are related, complementary to or the means of achieving a single desired end result (e.g., modernization of laboratory or surgical area, or modernization of personnel quarters, or relocation of outpatient clinic, will be considered as a project. All such work shall be grouped into one project, and in no case shall the elements of a project be divided to avoid program or BOB review.

B. Projects on which Bureau of the Budget review is required

1. Single project of capital improvement, a capital improvement within a group of projects of other categories or a group of capital improvement projects, totaling more than $5,000 except as covered under C4 below.
2. A single project of major alteration, whether independent of or connected with a group of betterments.
3. A single major replacement of existing facilities, or a series of replacements to be undertaken as a group project, the substantial nature and costs of which, taken together, would amount to a major replacement.
4. A single project, the estimated cost of which exceeds $25,000 and which cannot be classified in the categories of either B or C.

C. Project on which Bureau of the Budget review is not required

1. Maintenance work, regardless of cost.
2. Repairs necessary for continued operation of a hospital, which include neither a capital improvement in excess of $5,000, a major alteration, nor a major replacement.
3. Capital improvements not included in B1.
4. Projects related to safety of occupants of a hospital. However, on any such project which exceeds an estimated cost of $25,000, the Washington headquarters office of the Public Buildings Service, GSA, and Office of the Secretary, HEW, should be concurrently advised of intent to proceed with the project plans and specifications, or of intent to immediately proceed with the work in those emergency situations without following normal bidding procedures including the preparation of plans and specifications.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., September 26, 1961.

MR. JAMES F. KELLY,
Deputy Administrative Assistant Secretary and Comptroller, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. KELLY: This acknowledges receipt of your letter of July 7, 1961, which transmitted the list of projects to be accomplished by the General Services Administration at Public Health Service installations under the repair and improvement program for fiscal year 1962.

As you are aware, the question of providing Federal medical care for merchant seamen is under study. Until such time as the future of that program and the future of the hospital system are determined it is believed that those projects for which Bureau approval is requested should be deferred. In view of the extreme heat conditions prevailing in the Baltimore hospital laundry, that proposed ventilation project may be submitted for reconsideration after further evaluation has been made regarding the possibility of using commercial laundry facilities. In addition, although Bureau approval is not requested for the project to modernize the electrical system at the Memphis Public Health Service hospital it appears to be a capital improvement related in part to future air conditioning of the hospital and thus should be deferred at this time.

Although approval is not required for projects at foreign quarantine stations, it is believed that the proposed projects at Honolulu should be delayed pending settlement of the station's location.

Sincerely yours,

HIRST SUTTON,
Chief, Labor and Welfare Division.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 8, 1962.

Hon. IVAN A. NESTINGEN,
Under Secretary of Health, Education, and Welfare,
Washington, D.C.

DEAR MR. NESTINGEN: In reply to your letter of February 1, 1962, proposing capital improvement projects at four of the Public Health Service general hospitals, the Bureau of the Budget agrees to your proceeding with the alterations and improvements at the New Orleans, San Francisco, and Staten Island hospitals.

The project for Seattle is being deferred at this time. Since this project proposal is entirely related to research space rather than direct care of patients and because of the smaller size of this hospital and its relatively small seamen patient load, it is believed desirable to await the completion of the plans requested by the President to make hospital care more accessible for seamen before proceeding with improvements at the Seattle hospital.

Sincerely yours,

HIRST SUTTON,
Chief, Labor and Welfare Division.

ARRANGEMENTS WITH DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Senator MAGNUSON. There are many points in here and you can look at this record where we have broken it down and see if we cannot do something about it between you and the Department of Health, Education, and Welfare.

Mr. BOUTIN. We will be very happy to, Mr. Chairman.

Senator ALLOTT. Are we up on repair of public buildings?

Senator MAGNUSON. Yes.

RECLAMATION BUILDING, DENVER

Senator ALLOTT. I have a question there. I would like to ask anyone on your staff who has particular knowledge of it, what has been the decision and what is the situation now with respect to building 53, the reclamation building at the Federal Center in Denver? I do not think I have to describe the almost intolerable situation under which the engineers work there as far as performing a competent job is concerned. What is the present situation?

Mr. BOUTIN. The present situation, Senator, is that we have programed for the whole Federal Center at Denver something in excess of $13 million in renovation, improvement, extension of the various buildings. Of this amount, something a little over $3 million is scheduled for building 53 occupied by Reclamation and other functions of Interior. We intend to start on the design of that subject to the approval of this budget.

We have a letter from Secretary Udall in which he has stated very clearly that he is completely in favor of the plans which we have, and is very anxious that we proceed just as quickly as possible.

I had the opportunity in mid-June to go out to Denver and, rather than having a lot of people there, because you know and I know from the volume of both of our mails that there has been a great deal of dissatisfaction—without telling anybody who I was I went through the buildings out there in company with Mr. McNamara, who is our regional administrator.

I think with this program we have laid out, we can give them first-class space to their complete satisfaction, Senator.

QUESTION OF NEW BUILDING

Senator ALLOTT. You are absolutely satisfied that this is more economical to the Government than using this for warehouse and building a new structure?

Mr. BOUTIN. Yes, sir; I am.

Senator ALLOTT. I have raised this question before and on innumerable occasions I have stated that the other way seems preferable to me. I think that the Government would make money in the long run by construction of a new building but I must abide by engineers', contractors', and architects' decisions.

Mr. BOUTIN. Which is what we have done.

Senator ALLOTT. Which is what you have done also.

Mr. BOUTIN. Right.

Senator ALLOTT. Assuming that this goes through in this budget you say you will start on the planning. What sort of time schedule would this mean?

Mr. BOUTIN. Mr. Daly or Lawson, do you have that?

Mr. KNOTT. We would design the building modernization which would take some 8 or 9 months, and we would be in a position then to budget for this construction in the next fiscal year. We would be in a position to start construction next year.

FEASIBILITY OF REMODELING PRESENT STRUCTURE

Senator HAYDEN. Let me get that clear in my head. Reclamation wants a new building there and they do not get it?

Mr. BOUTIN. No, they do not get it, Mr. Chairman. What they would get actually is we would completely remodel, air-condition, relight and improve the building that they presently occupy. From my best judgment and from the best judgment of private architects that we have engaged, as well as our own staff architects, the best judgment is that this is extremely feasible and it is the wise thing to do.

Senator HAYDEN. That is, compared with——

Mr. BOUTIN. As compared to going for a new building there.

Senator HAYDEN. Do you get results quicker this way?

Mr. BOUTIN. We would get the results quicker. Yes, sir.

Senator HAYDEN. Would the space be ample?

Mr. BOUTIN. It would be ample and we think adequate in every way. Here [referring to pictures] is an example of some of the remodeling, Mr. Chairman and Senator, that we have done at the Denver Federal Center.

Senator MAGNUSON. You are not going to have air conditioning in Denver, are you?

Mr. BOUTIN. Yes, indeed.

INVESTIGATION OF QUESTIONS

Senator ALLOTT. I have been carrying on correspondence concerning this question with the General Services Administration for some time now. My thought, and the thought of the people talking with me in Denver, is that it would be far better to use building No. 53 just as a warehouse, because that is what it is.

Senator MAGNUSON. I guess there has been some false advertising going on about the weather out there then.

Senator ALLOTT. We have urged construction of a new building for them, but the General Services Administration went into it innumerable times, I think, and I suppose we are going to have to accept their judgment on it. They insist the evidence from all of the times they have gone into it shows that they can do this cheaper for the Government by remodeling this building rather than building a new one.

Senator HAYDEN. And provide equal facilities.

Senator ALLOTT. And provide equal facilities.

AUBURN, WASH.

Mr. BOUTIN. Yes, equal facilities. This is probably the best illustration I can make. One of the most recent ones has been the changes we made at Auburn, with which the chairman is very familiar. We have taken property declared excess to the needs of the Department of Defense and have been able to put them to extremely good use. Our General Services Administration's offices are in the Denver Federal Center, where the people are very happy. The whole Government outside of the downtown area, and the property we have taken over from the Air Force is right there, and it is a good facility.

Senator ALLOTT. Is that warehouse in this budget?

Mr. BOUTIN. Yes, sir; it is.

Senator ALLOTT. What would be the projection on its construction? The design is complete?

Mr. BOUTIN. The design is completed.

Senator ALLOTT. And it is ready to go and awaiting action on the appropriation?

Mr. BOUTIN. That is correct. We can move almost immediately, once the appropriation is determined.

Senator YOUNG. I wonder if I can ask a question?

Senator MAGNUSON. Yes.

ROLLA, N. DAK.

Senator YOUNG. This concerns the jewel bearing plant at Rolla, N. Dak.

Mr. BOUTIN. Yes.

Senator YOUNG. This is the only one of its kind in the United States. Only about 4 percent of the jewel bearings used in the United States are produced in this country and most of these are at Rolla. The rest is imported. I understand the Office of Emergency Planning has plans to modernize this plant. Is that true?

Mr. BOUTIN. This, Senator, is under discussion right now with the Bureau of the Budget, and if we work it out we will be coming back before this committee for a supplemental appropriation, but it is not in this budget.

Senator YOUNG. It is not in this budget, but do you have a plan to have it ready for the last supplemental appropriation bill?

Mr. BOUTIN. We hope to have. We are getting ready cost estimates for the Bureau of the Budget now.

Senator YOUNG. I think it should be done because the machinery in this plant is very old. All is pre-World War II machinery.

Senator MAGNUSON. As I understand it, they are going to borrow some money for the upgrading of the machinery, but to let your people improve the property.

Mr. BOUTIN. What we are studying right now is the improvement of both the equipment and the building, Mr. Chairman.

Senator MAGNUSON. Because it seems to me this is well worth while for the amount we are going to put in, because if there is a strategic item, this is one.

Mr. BOUTIN. Absolutely.

Senator YOUNG. Thank you, Mr. Chairman.

Mr. BOUTIN. Thank you, Senator.

CONSTRUCTION, PUBLIC BUILDINGS

Senator MAGNUSON. Now we get down to construction, public buildings projects.

If the committee will turn to page 2 in the justifications, the appropriations for 1962 are $188,946,500. The budget estimate for this year was $170,481,000. The House recommended $155,325,000, which is minus $33,621,000 over 1962 and about $15 million under the 1963 estimates.

The General Services Administration suggested a $20 million increase, which would include adding another $15 million above the budget for the fallout shelter business.

That is an old story in this committee, so we will discuss that. But if the members of the committee will turn to page 10 of the House report, it lists the public building projects that the House included. Is that right?

Mr. BOUTIN. Yes, sir.

LIST OF BUILDINGS REQUESTED

Senator MAGNUSON. Do you have a list of what would be included if the budget estimate were obtained?

Mr. BOUTIN. Yes. That is in the justification itself, Mr. Chairman.

Senator MAGNUSON. On page 9.

Mr. BOUTIN. It is exactly the same, with the exception of Billings, Mont., on which I understand the chairman has a letter from Senators Metcalf and Mansfield.

Senator MAGNUSON. On pages 9 and 10 you have all of the buildings involved if the budget amount was agreed to, plus the Billings, Mont., one. Is that correct?

Mr. BOUTIN. That is correct.

Senator MAGNUSON. On page 10 of the House report are the buildings which would be included in the House bill.

Mr. BOUTIN. That is correct.

Senator MAGNUSON. The committee can look at those and ask any questions they wish.

Mr. BOUTIN. May I speak to this just very briefly?

Senator MAGNUSON. Yes; speak to it.

Mr. BOUTIN. The amount we are appealing, $20,845,000, includes billings. It also includes $5 million additional to enable us to proceed with the construction of the Federal Building in Chicago, and also includes $3,340,000 for fallout shelters. We have with us Mr. Neal Fitzsimons from the Department of Defense, who is prepared to talk to that. The situation we find ourselves in precisely is when we

came before the committee of the House our estimates were what we considered absolutely minimum figures. These figures are based on the best construction data available—they do not have any fat in them that can be cut out. We think this cut that the House recommended, if it is allowed to stand, will put us in the situation we are in right now in Chicago, and in Montpelier, Vt., where we cannot go ahead and build these buildings the Congress asked us to build because of lack of funds.

These figures are just as tight as we know how to make them. That does not mean that at the end of all of this construction we are forecasting—we are going to come out exactly even, but it is my judgment we will be extremely near even, with some over and some under, even on the basis of our figures.

I notice Senator Gruening is here and the project he has up in Juneau, and the project Senator Cotton has in Concord, N.H., and many others—we will not be able to build those projects without cutting back on the project itself, or holding up construction contracts and waiting until we come back before the committees of the Congress for appropriations. That is exactly the situation we find ourselves in.

Senator MAGNUSON. Let us take the items up one at a time. You talked about the Chicago item.

Mr. BOUTIN. Yes, sir.

MONTPELIER, VT.

Senator MAGNUSON. Let us take the Montpelier, Vt., item. What is that? What is the problem there? I know it, but I want you to tell the committee.

Mr. BOUTIN. We went out for bids at Montpelier, Vt., exactly the way we did on Chicago, and ended up in the case of Montpelier, Vt., $509,000 short of being able to award a contract. In Chicago it was something in the vicinity of $5 million. So we had to reject those bids. Of course, we have no choice under the law. If we do not have funds appropriated sufficient to cover the costs we are contemplating, we cannot commit the Government to a cost by obligating funds we do not have.

Senator MAGNUSON. But they went ahead at Montpelier, did they not?

Mr. BOUTIN. No; they did not, Senator. We rejected the bids and we will be back before this committee.

Senator MAGNUSON. Is that included in this?

Mr. BOUTIN. No; Montpelier is not included in this list.

Senator MAGNUSON. Will you put in the record those not included in this that you think we should take a look at, Montpelier being one.

Mr. BOUTIN. At Montpelier we need another $509,000 if we were going to go ahead with the construction of that building.

OTHER LOCATIONS

Senator COTTON. Concord, N.H., is in this.

Mr. BOUTIN. Concord, N.H., is in this item.

Senator COTTON. I think I know what it is, but would you state what the situation is in Portsmouth?

Mr. BOUTIN. Portsmouth, N.H., has been approved by the House and Senate Public Works Committees. We have in our budget request, provided the House cut is restored, funds for the design and the acquisition of the site for the Portsmouth building so we can come in next year requesting construction project funds.

Senator COTTON. Only if the House cut is restored.

Mr. BOUTIN. Absolutely. If we are to proceed with all projects.

Senator MAGNUSON. Can I ask one question there? Is the site acquisition for Spokane included?

Mr. BOUTIN. Senator, that is already funded. That was funded last year.

Senator MAGNUSON. What is the status of the Richland thing there?

Mr. BOUTIN. Richland was funded for sites and expenses in 1961.

Senator MAGNUSON. So we do not need to consider Spokane or Richland in these items?

Mr. BOUTIN. For site acquisition and design, that is right.

Senator MAGNUSON. You are already moving on those?

Mr. BOUTIN. We are.

Senator MAGNUSON. All right. Off the record.

(Discussion off the record.)

Senator MAGNUSON. Everybody here has some buildings. We will start with the distinguished chairman of the committee here, the Senator from Arizona.

FBI BUILDING

Senator HAYDEN. I have been interested in the Federal Bureau of Investigation since I first came back to Washington, and later on in 1926 I was familiar with it when Mr. Hoover was a clerk in the Department. I had been able to capture some criminals when I was sheriff out there. I talked with Mr. Hoover, and we decided certain things ought to be established. That was many years ago, before he was the head of the Federal Bureau of Investigation.

Now the General Services Administration budget, which was approved by the Bureau of the Budget and submitted to the Congress, contained over $12 million for site acquisition, and engineering, and architectural design, covering a building to house the Federal Bureau of Investigation in Washintgon, D.C. However, the House Appropriations Committee deleted the necessary funds from the General Services Administration budget request. Is that correct?

Mr. BOUTIN. That is correct. They specifically omitted the FBI and other Washington projects.

Senator MAGNUSON. So that the record is clear for the committee, we can discuss sites and expenses along with the construction. It is under sites and expenses.

Mr. BOUTIN. They go hand in hand.

Senator MAGNUSON. And they go hand in hand.

Senator HAYDEN. The proposal to build a separate building to House the FBI goes back many years and the urgent need for a separate building is highlighted each time it is necessary for the FBI to obtain space in another building as a stopgap measure to relieve the growing space shortage for this important agency. During the past 15 years space has been assigned the FBI to relocate essential functions in five separate locations outside the Department of Justice Building. It is necessary to transport a large volume of highly con-

fidential and classified security documents over the city streets on a daily basis, due to the widely scattered space assigned, and this problem grows steadily worse.

Further, the duplication and loss of efficiency inherent in operating from a number of locations is compounded each time new space is acquired. They have just been adding on and on.

INCREASE IN PERSONNEL

Since 1946, the personnel of the Federal Bureau of Investigation in Washington has increased by 2,796 employees or approximately 92 percent. The 87th Congress alone has enacted at least 11 new or revised statutes over which the FBI has jurisdiction. In view of the ever-increasing duties imposed upon the FBI, it appears the personnel growth will continue and the space situation will deteriorate further. While the FBI has a very sizable space deficiency at the present time, to further impair its efficiency and add to the critical security problem through assignment of space in still other locations appears to be out of the question.

These are the reasons why I think the buildings ought to be built, because certainly when you have an agency of that kind it has to have a lot of secrets as part of its operation, and it ought not to be scattered around. It ought to be located close to the Department of Justice.

Mr. BOUTIN. Mr. Chairman, you could not be speaking to more receptive ears when the Administrator of the General Services Administration, who went to J. Edgar Hoover and the Attorney General and suggested that we ought to move ahead, and we did by going to the Public Works Committees of the House and Senate and got the project approved.

METROPOLITAN AREA EXCLUDED

Here precisely is the situation we find ourselves in: Under the House bill as reported out, they included $16,500,000 for sites and expenses without designating specifically the projects, but excluding all those projects in the Washington metropolitan area.

Senator MAGNUSON. I will read what they said.

Mr. BOUTIN. Very good.

Senator MAGNUSON. (reading):

> The committee has included in the bill $16,500,000 for sites and expenses of the new projects approved since last year. Funds are not included for the FBI Building, GSA Records Center, or Geological Survey Buildings in the District of Columbia at this time as substantial construction is planned or underway in the area.

Mr. BOUTIN. That is correct. Here is the situation: With the $16,500,000 we could not do any of these Washington projects at all, specifically, with the prohibition that the House has in their bill. We are appealing this prohibition and also appealing the amount.

CONSTRUCTION UNDER BUDGET APPROVED FUNDS

The Bureau of the Budget approved $22 million. If we had the restoration of $5.5 million we could proceed with the Geological Survey and we could proceed with the Records Center. We could not proceed with the FBI Building. The fact of the matter is we would need

$31,479,000 in sites and design funding, if we were to go ahead with all of the projects that the House and Senate approved, which would naturally be utopia, as far as we are concerned, and would include the FBI. With that we could go right ahead with every single project we have currently on hand, to design them and acquire the sites. It would include the FBI Building and all of the projects we are talking about.

Senator MAGNUSON. Maybe you can answer this question. I think it may be a common impression and the House points it out. We are doing so much construction in the area. Would the timing be a bar to this?

STATUS OF CONSTRUCTION IN DISTRICT OF COLUMBIA

Mr. BOUTIN. May I say this, Mr. Chairman: You only have to drive down Constitution Avenue, or almost any section of the Mall area in Washington and look at the Tempo buildings to see the great need we have. With the construction underway in Washington, which is substantial, even though a great deal of this is for the Smithsonian, it does not relieve any of the other agencies a bit as far as space is concerned.

Senator MAGNUSON. Why does it take so long on the Smithsonian Building? I have been driving by that for 5 years, and they still haven't finished it.

Mr. BOUTIN. We are going to have it done for you in March of next year. That is an absolute promise. But we are not, in comparison to the total need, doing a great deal of construction.

Senator MAGNUSON. This will not help the space problem?

Mr. BOUTIN. The Smithsonian Museum does not help us a bit.

Senator MAGNUSON. That is why it takes so long.

Mr. BOUTIN. It will not relieve the space situation.

CIVIL SERVICE COMMISSION BUILDING

Senator MAGNUSON. One more question. The Civil Service Commission came in here and they wanted $496,000 to buy furniture and such things to put in their new buildings. I said, when will it be finished? You cannot pile that stuff in the street and clutter your warehouses up with it. They said they did not know but they had some promises.

Mr. BOUTIN. June 1963.

Senator MAGNUSON. Then they have ample time to come in.

Mr. BOUTIN. It will be completed by that time.

Senator MAGNUSON. That is a promise?

Mr. BOUTIN. That is a promise. We are pushing it every single day as hard as we can.

Senator MAGNUSON. You would think they can handle that in January or February on the furniture and such things.

Mr. BOUTIN. That is a tough question to ask me, Senator. We will provide it whenever the Civil Service Commission requires it.

Senator MAGNUSON. On the Smithsonian Building you think that will be finished sooner or later?

Mr. BOUTIN. It will be completed by March 1963 and they will have partial occupancy in December. Senator Anderson is very interested in this. We appeared before his joint committee.

Senator ELLENDER. What effect has that on the cost of the project at the Smithsonian, as compared to your original estimate? The project has been delayed quite a bit.

Mr. BOUTIN. Yes, sir; it has been delayed.

Senator ELLENDER. Has that any effect on the additional cost?

Mr. BOUTIN. No; because this was under contract. In any event, the original estimate of cost for this building was $36 million. The total cost, with all of the changes that have gone into it, will probably come out to around $32 million.

Senator ELLENDER. $32 million?

Mr. BOUTIN. Around $32 million.

Senator ELLENDER. In other words, less than you asked for?

Mr. BOUTIN. Less than the original estimate submitted to the Congress.

BISMARCK, N. DAK.

Senator YOUNG. I wonder if I could ask a question on this point? We appropriated money 4 years ago, I believe it was, for a post office and Federal Building at Bismarck and the contracts have not been let yet. Will the cost of this now be higher than the amount appropriated?

Mr. BOUTIN. We hope it will not be.

Senator YOUNG. What is the status of that now?

Mr. BOUTIN. Mr. Schmidt, can you speak to that as to when it will be moving? Is that a site acquisition problem?

Mr. SCHMIDT. No; I believe not. It is under design.

Senator YOUNG. It was 4 years ago that we appropriated the money for it. Is that right?

Mr. SCHMIDT. I believe that is correct; fiscal year 1961. We have had quite a few problems with the design of the building and working out postal requirements, but these are all resolved now and the design is completed. I can check to give you the construction date.

Senator YOUNG. You can provide that information later.

Mr. SCHMIDT. All right.

Senator MAGNUSON. Senator Allott, do you have any questions on this?

Senator ALLOTT. Yes; I have.

Senator MAGNUSON. Let us go back to construction now.

Mr. BOUTIN. If I may further answer that Bismarck question, we expect to award a construction contract in September.

Senator YOUNG. It will not be delayed further?

Mr. BOUTIN. We hope not. That is a word we are trying to take out of our dictionary, Senator.

Senator MAGNUSON. September is a good month to award these contracts.

Senator YOUNG. What it means is, with winter coming on, you cannot do much construction in wintertime there, and the construction will actually start about 5 years after the appropriation was made.

Mr. BOUTIN. What will happen in that climate is they will get the foundations in in the fall and go ahead with the superstructure in the spring.

Senator MAGNUSON. All right. Senator Allott.

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DENVER, COLO.

Senator ALLOTT. Mr. Boutin, the House, after discussing in their report the cost of construction, said this:

Prospectuses for all projects in the bill have received the necessary approvals required by law. As to individual projects, the committee has reduced the cost of the GSA stores depot at Denver, Colo., from $8.04 per square foot to $6, which the committee considers a more realistic figure for warehouse construction.

Then it goes on to discuss other things.

May I ask one question? What will this do to your construction plans in Denver at this time?

Mr. BOUTIN. It will make it impossible, and I will tell you why it will. The $6 figure is a figure used by the Department of Defense and used by the General Services Administration for warehouses for static storage. If we were building a warehouse to store crude rubber, the $6 figure is a good one. The $8 estimate is the amount we need if we are going to have—and I am talking about square feet now—it is the amount we need to have a supply depot, which will perform the function that is required.

We do not require just dead storage space. This will be an active facility, and is essential to our operations.

Senator ALLOTT. As you previously explained, this is not a dead storage warehouse. That is the argument you used against me repeatedly—that this was a distribution depot for not only the Denver area, but to some extent even for overseas.

Mr. BOUTIN. Yes, sir; it is.

Senator ALLOTT. For that reason it is a different type of construction entirely and a different type of building than you would use as a dead storage warehouse.

Mr. BOUTIN. Absolutely. It has to have provision for docking areas, for trucks and rail facilities. It has to have, as pointed out in the report, 10,000 square feet of laboratory and office space for quality control. It has to have refrigerated storage space for the Bureau of Indian Affairs support for perishable items; 45,000 square feet for inflammables, paints, and things of that type. This is vastly different than the type of building where you have four walls and a roof, and that is all of your requirements.

Senator ALLOTT. I think that answers the question for the record and it ought to be clear on that.

SAVINGS PROVISION

I would like to ask a question for the senior Senator from Massachusetts, which he asked me to submit to you: In reference to the language which has been proposed to be inserted on page 28 of the bill, after line 2, I would like to call your attention and the attention of the members of the committee to the fact that this very language was stricken from the bill on a point of order on the floor of the House.

This amendment is shown at page 34 of your justification. For the record let me note that at page 13986 of the Congressional Record of July 30, where discussion on this proposed amendment is printed, this amendment proposes appropriations shall be available without regard to section 7 of the Public Buildings Act of 1959. Section 7 of this act says:

No appropriation should be made to acquire any building that costs more than $100,000 without first obtaining the approval of the Public Works Committees of the Senate and House.

A prerequisite to acquiring this approval is the submission of a prospectus that gives detailed information as to the proposed purchase. The amendment requested by the General Services Administration, which can be found on page 34 of the booklet, is the proposed amendment which we have before us, which if enacted would mean the General Services Administration would need not comply with the Public Buildings Act of 1959 and could spend appropriations at their own discretion without any congressional supervision.

Would you comment on this amendment and the effect of it?

MATOMIC BUILDING

Mr. BOUTIN. I would be very happy to, Senator. This not only pertains to precisely what is in the language itself, but it also pertains to the matter that Senator Pastore brought up relative to the Matomic Building. The General Services Administration has authority given by the Congress, where, in cases where we save funds on construction—if we came in for $10 million, as an example, and we are able to build a building for $9,800,000, so we had $200,000 left, then we could accumulate this money and wherever it was clearly justified we could go out and acquire existing buildings, or, on an emergency basis, renovate existing buildings, Government owned, or where we would go out and build buildings that have been approved by the House and Senate Public Works Committees, we could use these construction savings for that purpose.

PREVIOUS USE OF AUTHORITY TO BUY

My predecessor under the Eisenhower administration very wisely used this authority to go out and buy some 20 buildings. Some of these were the buildings the chairman referred to. We saved all of the interest and carrying charges and so forth, in some. In others we acquired them by condemnation. The Matomic Building was a case where it was started by Mr. Floete when he was Administrator, where the General Services Administration, representing the Government, and the owners of the building, got into a disagreement on the amount of rental that should be paid. The rental was extremely high and, therefore, because this building had a continuing need on the part of the Government, condemnation proceedings and a declaration of taking were filed and funds deposited in excess of $9 million.

The matter was taken by the owners, first of all to the district court, which upheld the action taken by the Government. The owners appealed to the circuit court, where it was reversed. It was reversed on the basis that the circuit court felt that we should, No. 1, have had a prospectus approved by the Congress for acquisition by condemnation of this building and No. 2, it was outside of the taking area.

Congress in this session removed this restriction of the taking area which existed since 1926—and believe me, we are very grateful for it. However, it was not done in time to have a bearing on this case, which dates back, I believe, Mr. Chairman, to 1960.

NEED FOR CONTINUATION OF CONGRESSIONAL LANGUAGE

So what we are asking for, No. 1, actually, is we feel a great need for the continuation of the language that the Congress provided us with in the past. It has not been abused. The chairman of the House subcommittee in statements on the floor of the House and in the hearings themselves said that he applauded the actions that have been taken.

Secondly, on this whole question of the Matomic Building, I do not know if this language would have any bearing on that case at all, but it would have a bearing on the cases that have gone on before—these other buildings that have been acquired. This court action could possibly throw a cloud on the title and on the action that has been taken. This would ratify those actions that have been taken, so there would be no question about Government ownership. These cases could not be reopened.

Senator PASTORE. Will the Senator yield?

Senator MAGNUSON. Yes.

LANGUAGE NOT TO APPLY TO CASES IN COURT

Senator PASTORE. Would you be willing to accept a proviso in this language that it shall not apply to any case pending in court? Mr. Boutin, it strikes me—I am not quarreling with the justification for this authority; there may be logical and substantial reason for it—but I think it is downright un-American when a man's rights have been established by a court and we come along with a piece of legislation and try to defeat these rights.

Mr. BOUTIN. That is not our intention.

Senator PASTORE. If the purpose of this section in the law is to overrule the decision of the court of appeals, then I think it is un-American. We are denying an individual's rights that have been asserted by a court. I think this is a very fundamental principle which is involved here. I find no quarrel with the language. Maybe you ought to have this authority, and maybe it is in the public interest, but when a man's rights have been decided by the court, and we sneak in by the back door and write language in the bill in order to overrule the decision of the court without giving that man his day in court, we are conducting ourselves in an un-American fashion.

Mr. BOUTIN. That is the reason why I qualified my statement. I do not believe personally that the—I am not a lawyer so I am cautious in what I say—I do not believe it would have any bearing at all on the Matomic Building.

INVOLVEMENT OF INDIVIDUAL RIGHTS IN MATOMIC BUILDING

Senator PASTORE. Do you think we ought to ascertain then if that is the case? I didn't invite myself into this controversy. The individual came to see me. I have never met the man before. But he tells it as a matter of individual rights that are involved. Apparently the individual involved is resisting this sale. The court already ruled on it. We have to abide by the edicts of the court, because they interpret the law of the land and are there to protect the rights of the individual. If the court already made a decision in this case which protects a man's property rights, why should we intervene here?

I find no fault in the language, but in the name of fairness you ought to make an exception in that case, and you ought to indicate clearly you do not mean to relieve the court of its decision through this procedure.

Mr. BOUTIN. I do not think, Senator, that will have a bearing on that case. Our intention here, No. 1, is to ratify the cases that have been finally concluded.

Senator PASTORE. I do not quarrel with that.

Mr. BOUTIN. Pardon.

Senator PASTORE. I do not quarrel with that.

Mr. BOUTIN. And, No. 2, to continue the authority that the language gives us which we think is a refinement.

Senator PASTORE. I do not quarrel with that either.

Mr. BOUTIN. I have with me the Deputy Administrator and also our General Counsel, who have done a lot of work on that. I would like to point out that the time limitations for submitting a writ of certiorari has expired—on Monday, I believe.

INDIVIDUAL HELD NOT AFFECTED BY LANGUAGE

Mr. KNOTT. That is right. Last Friday I conferred with the Assistant Attorney General, Mr. Clark. It is the judgment of Mr. Clark and his associates that this language would not serve to prejudice the rights of the individuals at all; that it would be necessary to again file a declaration of taking should the Government decide to proceed to acquire.

Senator PASTORE. And then proceed according to the rights under the law.

Mr. KNOTT. Right, sir.

Senator PASTORE. Would you object to any language that would carry that thought out?

Mr. KNOTT. Certainly not.

Senator PASTORE. Fair enough.

Mr. BOUTIN. I think, Senator, from the Attorney General's Office, you could get this reaffirmed if you like. I really do not think any language——

Senator PASTORE. There is something about it rather offensive: that if this is intended to overrule the decision of the court to establish a man's property right, I think that is very un-American.

Mr. BOUTIN. We do not believe it would overrule the decision.

Senator PASTORE. In no matter would it be involved?

Mr. BOUTIN. That is right.

STATUS OF PENDING CASE

Senator COTTON. Let me get this clear. Under this language, it would not affect the pending case. You start ab initio and begin over again on this particular building.

Mr. BOUTIN. Yes; we could.

Senator COTTON. Under new authority.

Mr. BOUTIN. We could in any event.

Mr. KNOTT. That is right, sir.

Mr. BOUTIN. We could in any event, regardless of the mechanics we use.

I think what Senator Pastore is objecting to, he does not want to be in a position where Congress says, regardless of the way the court ruled, we are going to circumvent that with legislation without Mr. Maiatico having the chance to defend his own rights.

Is this not right, Senator?

Senator ALLOTT. Is not that justification for knocking out the whole amendment, Mr. Boutin?

Mr. BOUTIN. I think it would be extremely detrimental——

Senator ALLOTT. I think, as a matter of fact——

Mr. BOUTIN. Knocking it out.

LANGUAGE SUBJECT TO POINT OF ORDER

Senator ALLOTT. I am not an authority on this business, but I think that the language is subject to a point of order or would be.

Mr. BOUTIN. It may be subject to a point of order. It certainly was in the House.

Senator ALLOTT. It would be in the Senate, I am sure of that.

Mr. BOUTIN. I know of no one who has any objection to this except as it pertains to the Matomic Building.

Senator ALLOTT. One of the witnesses this morning told me that he fully wants an order on it.

Senator COTTON. That is because of the *Matomic Building* case.

Senator ALLOTT. I think because, primarily, of the *Matomic Building* case.

Mr. BOUTIN. I feel sure of this because this language has been in our appropriation bill since 1960 and worked to the benefit of the Government without any question.

Senator PASTORE. May I say something?

What would be wrong not to proceed under this? Why could you not? You have a lease on that building, have you not? You have occupancy now. You do not have ownership but you have occupancy.

STATUS OF GSA CLAIM ON MATOMIC BUILDING

Mr. KNOTT. We have occupancy and, technically, we have title because the declaration was filed. This must be vacated, and we will be in a position after that to pay back rent, since the date of the taking, which was January 4, 1961.

Senator PASTORE. For how long can you remain as a lessee?

Mr. KNOTT. Our lease, which was superseded by this taking, was one for 5 years which began in August 1960.

Senator PASTORE. We went into this with our eyes wide open. We engaged in a 5-year lease that will be restored to its full potential once that title is removed, is that right? What is wrong, if I may finish my thought——

Mr. BOUTIN. I am sorry.

SUBMISSION OF CONDEMNATION PROPOSAL

Senator PASTORE. What is wrong submitting to the Public Works Committee a procedure according to law as you have a right to in condemnation proceedings without any hocus-pocus? This is not a lease-purchase arrangement. This is merely a lease arrangement for

5 years. Now, in order to avoid all of this dispute, I think it is a very simple thing. You have a right to condemn. No one can stop you from doing that—your requirement of the law to submit a prospectus to the Public Works Committee. Go ahead and do it, and no one can question you. Why do it under this arrangement? Why get into a building under the guise of a lease and after 3 months say, we condemn it whether you want to sell it or not? I do not think it is a proper way to do business. I think it is an unwarranted use of power by the Government.

Mr. BOUTIN. I neither agree nor disagree, Senator, with the action taken because it is past action. All I am saying is that I think that the case pertaining to the Matomic Building is already clear cut. It has been established. And we will be sitting down and talking with the owners of that building, negotiating whatever damages there are as far as interest due the Government and damages due the owner, and we fully intend to stay in there for at least a while, subject to these negotiations being successfully carried out.

Senator PASTORE. Do you intend to condemn without submitting a prospectus to the Public Works Committee?

Mr. BOUTIN. We have not even made the determination, Senator, that we are going to condemn.

Senator PASTORE. I see.

Mr. BOUTIN. Yes, sir.

Senator PASTORE. But I would hope you do make that determination, Mr. Boutin, you will go before the Public Works Committee, furnish your prospectus, and then proceed according to law and no one has a complaint.

NEED FOR LANGUAGE

Mr. BOUTIN. On the basis of the ruling of the circuit court, it appears clear to me, and this language I do not think on any future cases of this type——

Mr. KNOTT. That is true.

Mr. BOUTIN. We still need the language to handle the funds themselves. I do not think we are in disagreement here with anyone, except we do badly need this language to carry out our responsibilities, irrespective of this one case, and to ratify those cases that have already gone before.

IMPORTANCE OF BORDER STATION, SAULT STE. MARIE

Mr. KNOTT. To give an excellent example of how this authority, working within the framework of the Public Buildings Act, was able to help us this year, the House-passed bill provided $251,100 for the construction of a border station at Sault Ste. Marie, Mich. The construction schedule was such we had our plans ready, but we did not have the money to contract. We had bids. Because of the delay in the appropriations, we used construction savings to let the contract so as to time the completion of the building in November with the completion of the International Bridge, which will be opening on that date.

So this was a case in which, with this authority and with the funds we had on hand, we were able to pick up the slack in the delay time on our appropriation and carry that project forward. This would be the purpose to do that kind of thing.

STORES OPERATION, MASSACHUSETTS

Mr. BOUTIN. Another good illustration pertains to the State of Massachusetts, where, with our stores operation up there, we used construction savings to modernize facilities. We are going to be using it, Senator, for our records center in Seattle, where we are going to convert a warehouse that would serve no useful purpose otherwise, and we are going to use construction savings to provide one of the finest record centers in the United States.

I do not think that there is a one single item of abuse in here. GAO has never raised, to the best of my knowledge, any questions on this.

Senator COTTON. There is just one point I want to get clear.

Senator MAGNUSON. This is a surplus warehouse, and we just take and save a lot of money.

Mr. BOUTIN. Save an awful lot of money.

Senator COTTON. In this building—I got a mental block—I called it Miatomic Building.

Mr. BOUTIN. Matomic Building.

PROSPECTUS MUST BE FILED

Senator COTTON. In this building, if this language remains in the bill, if you chose to do so, you could commence proceedings over again without the filing of a prospectus.

Mr. BOUTIN. We could not.

Senator COTTON. You could not?

Mr. BOUTIN. No, we could not.

Senator COTTON. This language will not relieve you, will it, in other instances, relieve you of that method?

Mr. BOUTIN. I do not believe it will relieve us one iota, Senator, from the requirements to file a prospectus with the Public Works Committees of the Congress in those cases where we are going out and condemn a building for continued Government use. This does not, of course, have anything to do with condemning buildings for Government construction, like in Concord, where we are knocking down buildings on a site we are acquiring.

I would like to also point out, since I have been Administrator of GSA, we have not acquired one single building. This is not a usual practice at all.

Senator COTTON. Knowing you, I know you would not permit nor tolerate the abuse of privilege, but if this language clearly—and you have been so advised by the Department of Justice—is not going in any way to prejudice the rights in this particular case, what have you to lose, and would it not forestall the possible point of order on the floor of the Senate if you specifically said that this would not effect any pending case in the courts, pending or decided by the courts.

Mr. BOUTIN. I would certainly have no objection. I would like to call on our General Counsel, though. This is Mr. Macomber. What would this additional language do?

LANGUAGE SPECIFIC AS TO MATOMIC BUILDING

Mr. MACOMBER. Senator, I do not think that there would be any objection to language that was aimed directly at the *Matomic Building* case. But we could not proceed under this language with respect to that particular building. I would be a little hesitant to say if you just referred to any pending litigation because of the fact there were friendly condemnation proceedings to clear title in connection with some of the other acquisitions that we made, and there was no controversy at all in those cases, but they may still be pending in court, technically.

Senator COTTON. Of course, I do not know, and I am not too experienced on this, but I think it is a rather poor workmanship in legislation to refer to an individual case by name if it could be avoided. In this case, we had weeded out and depend on satisfying every Member of the Senate on your information, or else refer to this case by name.

Mr. BOUTIN. Let me put it this way, if I might, and I hope this will satisfy this committee. As Administrator of GSA, I am willing to make the commitment to this committee that we will not attempt to use this language to circumvent the rights of Mr. Maiatico of the Matomic Building in any way whatsoever.

Senator PASTORE. Would you be willing to have your attorney sit down with our chief of staff here and work out appropriate language that will carry that out?

Mr. BOUTIN. Of course.

Senator PASTORE. And we can pass it on.

Is that satisfactory?

Senator ALLOTT. That is satisfactory, Mr. Chairman.

Mr. BOUTIN. No problem at all.

DECISION OF COURT OF APPEALS

Senator ALLOTT. I had no idea it was quite so involved when I brought up the question with the Senator from Massachusetts. But I wonder if it would not be wise to include in the hearing the copy of the decision of the circuit court of appeals.

Senator PASTORE. Why do we not refer to it by reference rather than set it out in the hearings? Let us refer to it by reference.

Senator ALLOTT. Case No. 16337, U.S. District Court for the District of Columbia, U.S. Court of Appeals, decided March 8, 1962.

Senator PASTORE. If there is no objection, the document will be included by reference.

(The document referred to will be found in the files of the committee.)

NEED FOR ACCUMULATION OF $1 MILLION

Mr. BOUTIN. As an example of this authority, and I hate to keep pressing this, but it is important, as an illustration, Senator, if we have an accumulation of $1 million, we will get an approved prospectus. We can also accelerate projects the Congress has already approved. It would be crippling to lose this. We saved a lot of money by doing it.

Senator ALLOTT. We have given it to you before.

Mr. BOUTIN. Yes, sir; since 1960 we had it.

Senator ALLOTT. I am afraid when it comes up on the floor, there are some Senators who may object to it on a point of order.

Mr. BOUTIN. We hope the committee can prevail over whatever objections there might be in view of the commitments we have been very willing to meet.

Senator PASTORE. It would still be subject to a point of order. It may be raised on the floor, but that depends on the action of the Senate.

As members of this subcommittee this has been brought to our attention and we go as far as we can go. Everyone is satisfied with our action.

Senator ELLENDER. Mr. Chairman, I do not have any questions on any particular projects. I noticed that the House has provided $155,325,000 for the construction of buildings, and you are asking for $176,170,000, which, as I see it, is above the budget estimate. Is that right?

CHICAGO, ILL.

Mr. BOUTIN. It is above the budget estimate, Senator, principally because of the fact that Chicago has been put in.

Senator ELLENDER. I know you are asking for that.

Mr. BOUTIN. Yes, sir.

Senator ELLENDER. You are asking for a sum above the budget estimate.

Mr. BOUTIN. That is correct.

Senator ELLENDER. Now, I notice on page 9 of your brief, that the additional sum which you are asking over and above the House allowed, is to restore fallouts, is that correct?

Mr. BOUTIN. Yes, sir.

Senator ELLENDER. Aggregating $3,340,000.

Mr. BOUTIN. Aggregating $3,340,000.

RESTORATION OF COST LEVELS

Senator ELLENDER. Yes. And then to restore cost levels, $12,132,100.

Mr. BOUTIN. That is correct.

Senator ELLENDER. What do you mean by that?

Mr. BOUTIN. That means that the House cut the various projects that we had submitted, that is the total, exclusive now of fallout shelters, by $12,132,000 plus.

Senator ELLENDER. On the assumption you could do it for that amount?

Mr. BOUTIN. On the assumption we could do it for that amount, and we maintain we could not do it for that amount.

Senator ELLENDER. How did they reach that figure?

Mr. BOUTIN. By applying a uniform cut (with the exception of the Denver Federal Center) of approximately 7 percent.

Senator ELLENDER. Now, the addition, I notice that there is an addition of $5,372,900 in restored or deleted projects. That is not the Chicago project.

Mr. BOUTIN. No.

Mr. ELLENDER. Billings, Mont.?

BILLINGS, MONT., AND SAULT STE. MARIE, MICH.

Mr. BOUTIN. Billings, Mont., project, and we have voluntarily——

Senator ELLENDER. And Sault Ste. Marie, Mich.?

Mr. BOUTIN (continuing). Asked for a reduction of $251,100 because we used construction savings to build the border station at Sault Ste. Marie.

Senator ELLENDER. I see.

Was this Billings, Mont., project in your original estimate?

Mr. BOUTIN. It was in our original estimate.

Senator ELLENDER. And the House cut it?

Mr. BOUTIN. Deleted by the House.

Senator ELLENDER. Do you know why?

Mr. BOUTIN. On the basis, according to the statement in the House report, that there was available space there for lease, making this building was not justified. We maintain that this was wrong, that this building is well justified and is badly needed.

Senator ELLENDER. Assuming that this committee and the Congress would grant, provide the amounts that you are now requesting, with particular reference to Washington, the city of Washington and its environs——

Mr. BOUTIN. Yes, sir.

GOVERNMENT-OWNED BUILDINGS

Senator ELLENDER (continuing). What percentage of the employees of the Government would be in Government-owned buildings? Do you know?

Mr. BOUTIN. Senator, I am sorry, I do not know.

Senator ELLENDER. Could you supply it for the record?

Mr. BOUTIN. Could anyone provide that? Mr. Daly probably can.

INCREASE IN FEDERAL PERSONNEL

Senator ELLENDER. As I pointed out a few days ago, we are increasing our work force in Government quite a lot. Since the first of the year, I think we increased it by 100,000 people. Are we keeping up in construction to take care of these additional people?

Mr. BOUTIN. Well, that is a difficult question to answer, Senator, because what we are trying to do is to get out of leased space as quickly as possible. We have the temporary building situation that we are trying to adjust. We have obsolete Government-owned buildings which in some cases of new construction are being torn down or disposed of. Concord is a good illustration of that. The Post Office has moved forward with their rehabilitation program and improvement program. They have gone into new facilities of their own transfering to GSA the old buildings, and these buildings in most cases have been disposed of because they are antiquated, or obsolete especially the 1865 and 1875 vintage. We have a long way to go before we start talking about really catching up, Senator.

SITUATION IN OTHER AREAS

Senator ELLENDER. Is that generally speaking, for the whole country, or with respect to Washington? Washington was the one that I was asking about.

Mr. BOUTIN. The situation in the rest of the country is much worse, but the Washington situation is extremely critical.

Senator ELLENDER. I understand.

Mr. BOUTIN. That is the percentage in leased space is greater than it is in Washington.

Senator ELLENDER. I understand.

But I particularly make reference to the city of Washington; that is, the people employed here in the District.

Mr. DALY. Senator, we do not have those statistics immediately available.

Senator MAGNUSON. Get it for the record.

Mr. DALY. We will have it developed, sir.

Senator MAGNUSON. Get the percentage in Washington who are taken care of in Federal buildings and leased buildings, and the percentage outside, generally speaking.

Mr. KNOTT. We do have the percentage on a square footage in Washington.

Senator MAGNUSON. We want people.

Senator ELLENDER. That will not answer the question.

Mr. KNOTT. Right.

(The information referred to follows:)

Employees housed in space managed by GSA (as of June 30, 1962)

	Metropolitan District of Columbia		Outside District of Columbia	
	Number	Percent	Number	Percent
Government-owned space	164,068	90.6	193,477	53.4
Leased space	16,944	9.4	168,515	46.6
Total	181,012	100.0	361,992	100.0

NOTE.—The above employment figures are exclusive of employment in classified facilities. Of the 164,068 employees housedin Government-owned space in Metropolitan District of Columbia, 30 percent are housed in temporary and obsolete buildings.

COMPARISON OF COSTS

Senator ELLENDER. How much more does it cost you to rent than to put up your building? Do you know that?

Mr. BOUTIN. As a general rule, over a period of 40 years, which is the period that we usually use, you are talking of at least a 20-percent increase on lease versus Government owned.

Senator ELLENDER. Do you take in taxes, amortization, and repairs?

Mr. BOUTIN. We are talking only cost, direct cost to us, including repairs and a computed interest. In other words, we take the building that we build, we amortize it and the repair and computed interest cost over that period, and we compare that with the cost of lease, the direct cost of lease to us.

Senator ELLENDER. And you say it costs 20 percent more?

Mr. BOUTIN. Yes; 20 percent or more as a general rule.

PAYMENT TO DISTRICT OF COLUMBIA

Senator ELLENDER. Do you take into consideration the additional taxes the Government must pay to the District of Columbia when we increase the tax-free buildings——

Mr. BOUTIN. No; we do not.

Senator ELLENDER (continuing). In contrast to the buildings that you rent, in which taxes are paid by the owner.

Mr. BOUTIN. No. That is not a figure we take into consideration.

Senator MAGNUSON. You take actual costs.

Mr. BOUTIN. Actual costs.

Senator ELLENDER. There was evidence to the effect that the CAB occupied six stories of the Universal Building on Connecticut Avenue. Would you be able to use that as an example to indicate the difference in the cost to the Government of owning its own building and of leasing?

PRECISE COST REQUESTED

Mr. BOUTIN. We would have to make that for the record, Senator, to get the precise cost on a comparable building.

Senator ELLENDER. That is what I am talking about.

Mr. BOUTIN. Oh, yes.

Senator ELLENDER. You have time to do that. We are not going to close the hearings until next week.

Senator MAGNUSON. That is right.

Senator ELLENDER. I would like to get that into the record to find out where we are going, which way we are headed. As I turn and see the tremendous number of buildings going up and the demand for more and more, and then see this increase in Government employees to fill the buildings, my fear is that our Government is just getting too big, and that some day it is going to smash us.

(The information referred to is as follows:)

COMPARATIVE ANALYSIS OF PROVIDING SPACE BY ALTERNATIVE METHODS

The following is a comparsion of a proposed public building construction similar to FOB No. 9 with leasing, assuming a 40-year life for the new building, the same cost level of operation and maintenance in the new building and leased space, so that it is excluded from the computation, repair, and upkeep of the public building based on the useful lives of component parts (Bulletin F: Tables of Useful Lives of Depreciable Property, IRS Publication No. 173), and rental rates for the 40-year period which would approximate recent offerings on a 20-year lease.

(a) New building:	
Total estimated project cost	$17,580,000.00
Interest, at 4¾ percent, amortizing building cost at the rate of $1,318,989 per year applied to principal and interest, which amount is the equivalent base rental for comparable space (20.9 years)	9,944,001.00
Estimated 40-year repair and upkeep costs at 50 cents per net square foot (571,196 square feet times 50 cents times 40 years)	11,424,000.00
Total estimated 40-year cost	38,948,001.00
Annual cost	973,700.00
Annual cost per net square foot	1.70
(b) Leased building, estimated 40-year rental:	
Office space: 432,380 net square feet at $2.85	1,232,283.00
Garage space: 86,706 net square feet at $1	86,706.00
Annual rental	1,318,989.00
Estimated 40-year rental	52,759,560.00
Average annual cost per net square foot, office and garage space	2.54

(c) Estimated savings through construction:

	New building	*Leased building*	
40-year cost	$38,948,001.00	$52,759,560.00	
Annual cost	973,700.00	1,318,989.00	
40-year savings through construction			13,811,599.00
Annual savings through construction			345,289.00

In addition to the annual savings through construction it can be assumed that the residual value of the site at the end of the 40-year useful life period will be at least equal to its purchase price. Also, the above computation provides for an adequate level of repair and improvement of the structure throughout the period and there will remain additional years of useful life in the building after the 40-year period.

COMMITTEE TO FORECAST PERSONNEL NEEDS

Mr. BOUTIN. Senator, if I might use an indication, the President appointed an ad hoc committee that I was privileged to serve on, and we, in making a forecast and using the past as a basis for a forecast, plus figures supplied to us by the Bureau of the Budget, we only looked to an annual increase in employment in the Washington metropolitan area of about 2,000 a year. This is all programs, this is everyone.

Senator ELLENDER. 2,000 additional?

Mr. BOUTIN. Additional, per year.

Senator ELLENDER. I am surprised at that figure.

Of course, what I have just stated is not peculiar to any particular department of the Government. I can well recall only a few years ago when some of us opposed the construction of this new Senate Office Building and suggested that, instead, the Capitol be enlarged to make sufficient rooms to take care of the number of Senators who desired space. We ended up by not only extending the east front of the Capitol, but by building the New Senate Office Building as well. And now every nook and corner in the old office building is being occupied. So a lot of building, a lot of space, just means that more employees must be found in order to fill up the rooms. And that, to me, is peculiar to big government. I hate to see it. That is all, Mr. Chairman.

Senator MONRONEY. Mr. Chairman——

Senator MAGNUSON. The Senator from Oklahoma.

TULSA, OKLA.

Senator MONRONEY. I want to ask about the Tulsa, Okla., post office and office building. For some 4 years the Oklahoma congressional delegation and the people of Tulsa have been urging the addition of another floor for Federal court use. We have a vast load in our courts. The plan that GSA has long insisted on was the remodeling of a 30-year-old post office building, that is apart from other Federal activities, into courtroom space when postal operations are removed to the new building.

We have repeatedly asked the GSA to survey this, and the request to include court space is supported by the Administrative Office of the Courts here in Washington we need two courtrooms for the district court and one for the circuit court, which often meets there. It is impossible to accommodate them in the one courtroom that is now available in the old building which will be remodeled for a secondary Federal office building.

REPORT ON BUILDING SURVEY

I wonder if you have a report on the resurvey that you have made on this matter?

Mr. BOUTIN. Yes, I do have, Senator. I have a report on it, and I also have a request from the Administrative Office of the Courts that courts be included in the new building in Tulsa. It would cost, to include the facilities that are required for courtroom space, for the attorney's office, U.S. attorney's office, and for the U.S. marshal's office, a total additional cost for this project of $1,699,000.

This, we believe, is the right procedure to follow. We are in accord with this change and we, in fact, have been preparing some information for transmittal to the Public Works Committees of the House and Senate, amending this project accordingly.

INCLUSION OF COURTROOM SPACE

Senator MONRONEY. Then you favor the inclusion of the courtroom space, which will mean one additional floor at a cost of about $1,700,000.

Mr. BOUTIN. Absolutely, we do. And I would like to point out in respect to this that, of this amount, only $38,000 will be required for redesign purposes, so there is no wasted money in this at all.

Senator MONRONEY. The plans could be changed now before construction is started, but if you were to add an additional floor later on, it would cost several times that amount.

Mr. BOUTIN. If we are going to do it, we should do it all at once, Senator.

Senator MONRONEY. Is that correct?

Mr. BOUTIN. The mechanical cost, cost of breaking walls through, and so forth, once it is completed and start in over again to add a floor would be ridiculous.

Senator MONRONEY. Also, the remodeling the old building, which is badly deteriorated, into courtroom space would be at a fantastic cost per square foot, would it not?

Mr. BOUTIN. It would.

Senator MONRONEY. Therefore, the ultimate cost of this building would not be as much as would be required to put the courtrooms in a building away from other Federal activities.

Mr. BOUTIN. This is the most economical method of doing it.

Senator MONRONEY. I appreciate that very much.

AMOUNT IN BILL FOR TULSA BUILDING

Senator MAGNUSON. Let us get the figures straight here. In the House bill, Tulsa—where is that?

Senator MONRONEY. Tulsa is——

Senator MAGNUSON. Tulsa is in the House bill——

Senator MONRONEY. $9,800,000.

Senator MAGNUSON. $9,808,900, and under the suggestions of the Senate, it would be——

Mr. BOUTIN. That is not in the appeal I do not believe.

Senator MAGNUSON. You better put that figure in, if this committee decides to agree to this, how much extra we would have to put on the Tulsa thing.

Mr. BOUTIN. Actually, what we have to add is $1,564,000 for improvement cost to the figure of $7,988,000 that appears on page 10 of our appeal.

Senator MAGNUSON. That appears?

Senator MONRONEY. Thank you very much.

Senator MAGNUSON. So that the Senator from Oklahoma will remember that.

LETTER FROM SENATOR YARBOROUGH

I have a letter here from the Senator from Texas regarding the Fort Worth building and the unavailability of parking spaces, which he wants answered, and I hope you will put that in the record.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C., March 12, 1962.

Senator CARL HAYDEN,
Chairman, Senate Appropriations Committee,
Senate Office Building Annex,
Washington, D.C.

DEAR MR. CHAIRMAN: Attached hereto is a copy of a letter I have just addressed to the Director of the Bureau of the Budget urging that its ban against adequate parking space at Federal buildings for the officials and employees who are on duty there be abandoned, in whole or in part. A copy of the open letter to the Federal employees at Forth Worth, Tex., to which reference is made therein, is also enclosed.

I certainly hope that your committee will concur in the thoughts expressed and be willing to approve appropriate appropriations for adequate parking space in connection with Federal buildings when the necessity for such space has been recommended by the Federal officials located therein and the General Services Administration.

With high regards, I am

Yours very sincerely,

RALPH YARBOROUGH.

Enclosures.

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C., March 12, 1962.

Hon. DAVID E. BELL,
Bureau of the Budget,
Washington, D.C.

DEAR MR. BELL: The attached copy of an open letter to Federal employees in Fort Worth, Tex., sets forth an unfortunate, but very prevalent situation, for which it appears the Bureau of the Budget is largely responsible; that is, the lack of sufficient parking space under or adjacent to Federal buildings.

I think you would find, upon inquiry, that the policy, apparently initiated and maintained by the Bureau of the Budget, of allowing but limited and inadequate parking space at Federal buildings for Federal officials and no parking space at all for Federal employees on duty at such buildings, is causing a tremendous amount of inconvenience and actual hardship to many of these officials and employees.

In some cities, because there is no parking space available at the Federal building, Government officials have to park their cars two or three blocks away and be forced to carry heavy and valuable packages by hand for this distance. Even deputy U.S. marshals in some places have to park their vehicles at considerable distance from the Federal building where the U.S. court is sitting, and march their prisoners through the crowded streets to reach the courtroom unless by incurring the ill will of the city authorities, they park double and obstruct traffic in front of the Federal building, to avoid taking the risk of escorting prisoners on foot through 2 blocks of traffic.

So far as Federal employees are concerned, many are forced to drive to work because of the inadequacy of the public transportation system in the city in which the Federal building is located. Public transportation in many cities today is very inadequate and in some cases, nonexistent, so that the employees must come to work in their own cars, which necessitates the provision of parking space for them in or near the Federal building. Most progressive manufacturing and mercantile establishments provide such parking for their employees. When the Federal building is located in the business district of a city, as is the case at Fort Worth, Tex., the employee who drives his or her own car must park it in one of the downtown parking establishments, which, as you know, charge a substantial price for this privilege.

Now I am not advocating that a large parking space be provided for every Federal building that is erected. In some cases, the location of the building is at a site other than in the business district of a city where close-by street parking is available, and the need for special parking facilities is not necessary; nor is it necessary in cases where there is an adequate public transportation system from most parts of the city to the Federal building, but at buildings where neither of these conditions exist, the failure to provide parking space under or adjacent the Federal building results in both a hardship and a considerable expense to the officials and employees affected!

This question of adequate parking space in connection with new Federal buildings is one which I think you will agree should be given attention in advance by the heads of the Government offices who will occupy the building. If they find that a certain amount of parking space will be necessary, they should convey their findings to the GSA authorities, who may then plan for it either in the basement of the new building or in adjoining lots. When this has been done, I certainly hope the Bureau of the Budget will then allow adequate funds therefor and thus avoid the confusion, inconvenience, and expense that would otherwise develop as indicated in the attached letter to the Federal employees at Fort Worth. You will observe from that letter that failure to provide additional parking space there will impose on many of the Federal employees a substantial expense, which those in the lower salary brackets can ill afford!

Trusting you will give this situation careful thought with a view to cooperating in the manner suggested, I am, with high regard,

Yours very sincerely,

RALPH YARBOROUGH.

Enclosure.

(The following is quoted from an open letter, dated February 5, 1962, to all Federal employees, from the president of the Fort Worth Chapter, Federal Bar Association:)

"The proposed new Federal building is expected to have approximately 75,000 square feet of parking space, not even enough space for the present General Services Administration vehicles. Only commercial parking will be available for employees and visitors. Public transportation in Fort Worth and Tarrant County is either totally inadequate or nonexistent, so most people must drive to work. Yet the new building is to be located in the most crowded and most inaccessible part of Tarrant County.

"At present there are 19,000 parking spaces in downtown Fort Worth. This includes 6,170 spaces for private and customer parking, as well as metered spaces on the street, Leonards' big lot, and commercial lots and garages. The price varies from free at Leonards' lot to $22.50 per month in a garage.

"The new building is expected to accommodate about 3,000 people when it is completed. This will add about 1,500 cars to the number seeking to park downtown. This many cars can be accommodated only by the erection of additional parking garages. Parking in these new garages may cost as much as $25 per month. This represents a decrease in spendable income for the affected Government employees. A decrease of only $20 per month will amount to $240 per year; this is equivalent to 1½ annual step increases. Over a Government career of 20 years, this would total $4,800; and $7,200 over 30 years.

"This high parking cost discriminates against Federal employees who must work downtown in comparison with those who work in outlying areas (General Depot, Carswell, Public Health Hospital, etc.) where free parking is available. Private employers are realizing the need to provide parking. Some, like Commercial Standard Insurance, have moved to the suburbs. Others, like the Fort Worth National Bank, provide parking space downtown with reduced rates for

employees. Surely, as a progressive employer, the Federal Government should take steps to provide parking for employees and visitors, either free or for a very low rate.

"At the present time, an extensive fallout shelter program is being conducted by the Government. Such a shelter should be provided for Government employees in the new building. A shelter uder the building could double as a parking garage to accommodate the anticipated 1,500 cars."

(For reply from GSA, see p. 1426.)

COMMUNICATIONS ON BILLINGS, MONT., SITUATION

Senator MAGNUSON. I will give that to the Senator.

You heard about that.

Then we have, for the record, letters from the two Senators from Montana and several wires from Billings regarding the Billings situation, which we will put in the record.

(The letters and telegrams referred to follow:)

U.S. SENATE,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., July 31, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices Appropriations, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The House of Representatives, in passing the independent offices appropriations bill for fiscal year 1963, has deleted the courthouse and Federal office building at Billings, Mont., from the list of public buildings projects to be constructed during the current fiscal year. We feel that this action is unjustified and based upon an incomplete presentation of the facts.

The House report on the money bill which is now before your subcommittee states:

"The courthouse and Federal office building at Billings, Mont., has been deleted, as there is adequate rental space in the locality at reasonable rates and the construction cost of the proposed building is so high as to raise serious question of its economic soundness."

In refutation of this statement we wish to present the following information in support of our efforts to have this project restored here in the Senate.

This is the only project deleted by the House of Representatives from a long list of Federal building projects, all of whose prospectuses have been reviewed and approved by the Committees on Public Works in the House and Senate. The Billings project has been thoroughly justified by the General Services Administration. This project received the approval of the Congress last year, when funds were appropriated for design, planning, and site acquisition. In the instance of the Billings project the architect has fulfilled his obligations, and title has been acquired to the necessary property at the site of the new structure. In fact, Federal funds in the amount of $422,244 have been obligated and spent for planning and acquisition of property. Deletion or postponement of this project at this time would be wasteful when there is a definite need for this new building in one of Montana's leading and fastest growing metropolitan areas.

The new courthouse and Federal office building would consolidate many Federal agencies now scattered throughout the metropolitan area of the city. The construction of this facility would contribute to the development of the downtown business area.

This public building project is supported by the people of Billings. Our files indicate that opposition to this project has been generated by a small, but vocal group of real estate interests in Billings. Attached are telegrams we have received from the Billings Downtown Development Association and Congressman James Battin of the Montana's Second District urging the restoration of these funds.

We ask that the subcommittee thoroughly review this project, and, in view of prior approval given this project by Congress, we urge the restoration of the courthouse and Federal office building at Billings, Mont.

With best personal wishes, we remain.

Sincerely yours,

MIKE MANSFIELD, *U.S. Senator.*
LEE METCALF, *U.S. Senator.*

Enclosures.

BILLINGS, MONT.,
July 28, 1962.

Hon. MIKE MANSFIELD,
U.S. Senate,
Washington, D.C.

DEAR MIKE: As you know, the House Appropriations Committee deleted the Federal building for Billings from the independent offices appropriation bill. I urge that you work to restore this item. When the Senate considers the House-passed legislation, I will give my support in Senate-House conference.

Sincerely,

JAMES F. BATTIN,
Member of Congress.

BILLINGS, MONT., *July 28, 1962.*

Hon. MIKE MANSFIELD,
U.S. Senate, Senate Office Building, Washington, D.C.:

We vigorously protest the elimination of the Billings Federal Building by the House Appropriations Committee. We believe that this project should be put back and approval given it since the land has been purchased and plans by architect completed.

The economy of this community is below normal and the various labor crafts need the work now. There is no abundance of A–1 office space which is required by Government agencies and all rental space is widely separated in the city.

Therefore, we urge you to protest vigorously the committee action.

Please advise.

BILLINGS DOWNTOWN DEVELOPMENT ASSOCIATION,
CLARK E. SIMON, *President.*
C. J. CARROLL, *Secretary, Post Office Box 1552, Billings, Mont.*

BILLINGS, MONT., *July 31, 1962.*

Re GSA project No. 24901, Billings, Mont., courthouse and Federal office building.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Committee on Independent Offices,
Washington, D.C.:

Facts on Billings, Mont., Federal office building must have been misrepresented. Our economy is suffering here, and we must put our people to work. It is of prime importance that we keep our Federal agencies in Billings. This project will pay for itself in increased efficiency and reduction of costs to the Government. The Federal Bureaus are spread all over the city and suburbs. Building owners who offered information to you in opposition to the construction of this project speak only for themselves as they lease their buildings to the Government. The majority of merchants, businessmen, and taxpayers of this community desire that construction begin on this project as soon as possible. Our city is growing steadily and this project will help maintain this steady growth. We respectfully ask for your reconsideration and to appropriate the funds for construction of this building.

HAROLD E. GERKE,
Mayor, City of Billings.

BILLINGS, MONT., *August 2, 1962.*

Hon. WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

As property owners and retail merchants we strongly urge that funds for the Billings Federal Building be made available immediately. Office space of quality is not available beyond normal growth requirements of this community.

J. ALWEIS & SONS.

BILLINGS, MONT., *August 2, 1962.*

Hon. DON MAGNUSON,
Senate Office Building, Washington, D.C.:

Due to the depressed economic conditions of the Billings, Mont., area we strongly urge the reevaluation of the Federal Building.

S. K. SANDER,
Manager, Craine & Ordway Co.

BILLINGS, MONT., *August 2, 1962.*

Hon. DON MAGNUSON,
Senate Office Building, Washington, D.C.:

Hope that you will take necessary steps to restore appropriation for Billings Federal Building. Over a period of time this project will pay for itself in rental saving. Our area needs business stimulant at this time.

EMPIRE HEATING & COOLING,
DALE L. BEERS, *Manager.*

BILLINGS, MONT., *August 2, 1962.*

Hon. DON MAGNUSON,
Senate Office Building, Washington, D.C.:

The loss of the proposed Federal building in Billings, Mont., has been a shock to our community at this time, and we will feel the effect to our area in the future. Many industries were based on the economy that such a proposal would afford. Many new industries have moved to Billings anticipating its future as the growing center of Montana. At this time particularly we are in need of the economic and population boost this would bring to both Billings and Montana. Let me suggest that you do all you can to bring about a reconsideration of the administration budget proposal for this area.

GENE LISSA,
Coowner, Ideal Baking Co.

BILLINGS, MONT., *August 1, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Senate Committee on Independent Offices,
Washington, D.C.:

Re GSA project 24901 Federal office building. Federal office building urgently needed in Billings, Mont. Consolidation of Federal offices is needed for better service and economy. Large majority of population and business people want this project to become a reality. We sincerely urge reconsideration by your committee.

FRED C. PLATH,
Chairman.
A. A. HEALOW,
THOMAS H. DECKER,
Yellowstone County Commissioners.

BILLINGS, MONT., *July 31, 1962.*

Senator WARREN MAGNUSON,
Chairman, Senate Committee on Independent Offices,
Senate Office Building, Washington, D.C.:

Urge appropriation for Federal office building in Billings, Mont. Essential to hold downtown area together and protect investments of major taxpayers and to insure continuity of needed Government employees in area.

FRED MARBLE, Jr.,
President, First National Bank.

BILLINGS, MONT., *July 31, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Senate Committee of Independent Offices,
Washington, D.C.:

Respectfully ask favorable consideration Federal office buildings Billings, Mont. Business conditions here are down. We need this project to bolster our economy. Facts were not properly stated as we know them. Careful analysis has been made on the building and according to our information it will pay for itself by increased efficiency.

J. C. BOESPFLUG CONSTRUCTION CO.

BILLINGS, MONT., *July 31, 1962.*

Senator WARREN MAGNUSON,
Chairman of the Senate Committee on Independent Offices,
Senate Building, Washington, D.C.:

Appreciate your support for additional appropriations so that the Federal building in Billings can be approved. For downtown property owners this building is badly needed to protect our interests. Also to keep our Government offices from being transferred from Billings.

ROBERT M. WATERS,
President, Security Trust & Savings Bank.

BILLINGS, MONT., *July 31, 1962.*

Hon. DON MAGNUSON,
House Office Building,
Washington, D.C.:

As I have been a resident and been in business in Billings for the past 36 years, I feel the construction of the new Federal building will provide many jobs for the overdepressed construction industry and at the same time would insure continuance of Billings as headquarters for many Federal agencies. I strongly urge the Senate to adopt the administration budget proposal so the building can be constructed.

I. N. EARLY.

BILLINGS, MONT., *July 31, 1962.*

Senator WARREN MAGNUSON,
Chairman, Senate Committee on Independent Offices,
Washington, D.C.:

Please endeavor to have appropriation restored for Billings Federal building. It is needed.

O. B. SILVEY,
President, Billings State Bank.

BILLINGS, MONT., *July 31, 1962.*

Senator WARREN MAGNUSON,
Chairman, Senate Committee on Independent Offices,
Senate Office Building, Washington, D.C.:

We respectfully ask your support for authorized Federal building in Billings as requested by Senators Mansfield and Metcalf.

E. H. REANDUM.

Mr. BOUTIN. And we favor the restoration of the amount for that building.

Senator MAGNUSON. That Billings amount is included in that.

LETTER FROM SENATOR BENNETT

Then we have from the Senator from Utah, Mr. Bennett, letters regarding the Ogden Building, Ogden unit, that is included in here, is it not?

Mr. BOUTIN. That is included in this appeal.

Senator MAGNUSON. So we will put those letters in the record.

(The letters referred to follow:)

U.S. SENATE,
Washington, D.C., June 14, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Senate Appropriations Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: There is included in the budget $58,000 for design of the proposed extension and major repair work on the post office and Federal building in Provo, Utah. Once the design is completed, it is estimated that the

new extension will cost $237,000, while major repairs and improvements of the old building will total $183,000, making a total cost for the entire project of $478,000. Since in 1957 I initiated with GSA the studies that have resulted in the prospectus being submitted, I am naturally pleased, and am happy to give my full support to the program as outlined in the prospectus. Both the Senate and the House Public Works Committees in April approved this meritorious project, and I sincerely hope the Appropriations Committee will make the necessary design funds available so that this work can start on July 1 of this year.

It was my privilege to sponsor a new post office for the city of Provo, designed to meet the needs of the rapidly expanding population of that important metropolitan area. The space to be vacated by the post office will be converted under the GSA plan, to general office space and the construction of an extension to the building.

The additional space is very much needed to permit housing of all Federal agencies in Provo, other than the Post Office Department and agencies which because of their special purposes require the special spaces they are now using. The work will include renovation and rehabilitation of the existing building, elevator replacement, and air conditioning, which will greatly increase employee morale and work output in the hot summer months. It is expected that consolidation of agency activities at a single location will provide meaningful economies while affording greater service to the public. This development will enable the Federal building to economically serve the area for an additional 40 years, according to GSA.

The population of Provo has doubled in the last 20 years, while the Federal employment of 280 represents an increase of 90 percent in the same period. There is every indication that this rate of growth will continue and may even be accelerated over the next 20 years.

I have conferred with Mr. William K. Wotherspoon, manager of the Provo Chamber of Commerce, who advises me that the project enjoys the full support of the Provo chamber. I respectfully urge the committee to approve the full $58,000 appropriation needed to design the Provo building extension and renovation.

Sincerely,

WALLACE F. BENNETT.

U.S. SENATE,
Washington, D.C., July 31, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR WARREN: Enclosed is a copy of a statement which I have prepared in support of a $4,398,900 appropriation to construct a new Federal building at Ogden, Utah.

This request was included in the President's budget for fiscal year 1963 and has been approved by the House. I would be grateful if you would include the statement in your hearing record.

Sincerely,

WALLACE F. BENNETT.

STATEMENT BY SENATOR WALLACE F. BENNETT, PRESENTED TO THE SENATE APPROPRIATIONS COMMITTEE, TUESDAY, JULY 31, 1962

OGDEN FEDERAL BUILDING APPROPRIATIONS

There is included in the "Independent office" appropriation bill pending before this subcommittee a request for $4,398,900 to construct a new Federal building at Ogden, Utah. This amount was included in the President's budget at my request and has already been approved by the House. I fully endorse and request that the entire amount be appropriated and included in the Senate version of the bill.

This appropriation is the culmination of 5 years' effort on my part to secure administration and congressional approval of a badly needed new Federal building for Ogden. It was in 1957 that I asked the General Services Administration to survey Federal office space needs in Ogden. My attention was called initially to the possible need by an excellent article that appeared in the Ogden Standard Examiner of that year. The GSA survey confirmed the Ogden Standard Examiner article and recommended construction of a Federal building to

alleviate the serious situation caused by inadequate space, and the inconvenience to private citizens having business with the Federal Government caused by the proliferation of Federal agencies throughout the area.

It was my privilege to submit testimony to the Senate Public Works Committee in support of the Federal building recommendation made by GSA. The Senate committee acted favorably upon my request and approved the prospectus on February 3, 1960. This was followed by House approval on February 24 of the same year. I then asked the administration to submit an appropriation of $870,000 for site acquisition and design of the new building. My request was granted, and Congress approved an appropriation in that amount. As a result, the architect has completed his work on the design and the site at the northwest corner of 25th Street and Kiesel Avenue has been purchased.

Two problems have recently arisen in connection with the construction of the building. At the urging of the Ogden City Council and the local chamber of commerce, I intervened with GSA, calling attention to the inadequate parking space recommended in the agency's plans. These call for only 70 outdoor and 35 interior parking spaces, whereas the city council believes that 300 parking spaces are the minimum needed to serve the building adequately. Since my intervention, GSA officials have met with representatives of the Ogden City Council and I am hopeful that sufficient additional parking spaces will be provided.

In addition, some question has been raised about the court space proposed by GSA for the building. Under Federal law, the Federal district judges are required to meet at Ogden. The present space is grossly inadequate, according to advice which I have received from the Utah State Bar Association and from the Weber County bar. This opinion was also shared by the senior Federal district judge, Willis W. Ritter, who wrote the Administrative Office of the U.S. Courts on June 10, 1957 stating that his court had decided to request space in the new building and he enclosed a copy of the brochure of the supervising architect on which he had marked the space he felt was needed by the court. On June 28, 1957, Judge Ritter directed a similar letter to the Administrative Office in which he adopted the Administrator's recommendation in support of one grand jury room and one petit jury in place of the two petit jury rooms which he had earlier recommended. At that time, he returned the completed GSA forms to which he affixed his signature certifying as to the net space for the court in the proposed building.

Upon the sole basis of Judge Ritter's statement as to the future needs of the court for space, the Acting Director of the Administrative Office certified to GSA that there is a permanent need for 7,615 net square feet of space to accommodate the Federal district court. That position was later supported by the bar as I have indicated.

The new Ogden Federal building would consolidate existing Federal activities in Ogden area including the Forest Service. It will occupy an area of 206,300 gross square feet at a total estimated cost of $6,340,000. I urge committee approval of the remaining unappropriated amount of $4,390,900.

U.S. SENATE,
Washington, D.C., June 14, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee,
Senate Appropriations Committee,
Washington, D.C.

DEAR SENATOR MAGNUSON: There is included in the budget request before the Independent Offices Subcommittee $440,700 to initiate a program to modernize and air-condition the old Salt Lake City Federal building. It is my understanding that the air-conditioning system will be funded jointly by the Post Office Department and by the General Services Administration. GSA will put up $397,000 and the Post Office Department $225,000, but this latter amount will be included in another appropriation bill.

This meritorious project was approved, with my full support, by both the Senate and the House Public Works Committees in April of this year. I have been working for 2 years to get this important work underway, particularly the central air-conditioning system. Postal employees have been compelled to work in extremely undesirable conditions in the basement of the post office. In addition, the other Federal employees throughout the building will be greatly benefited, as will the public, because of the improved morale and increased

efficiency which will result from air-conditioning during the hot summer months.

General Services Administration plans repair and replacement of floors, windows, roof cover and sidewalks; exterior painting, cleaning and pointing exterior masonry surfaces; rest room alterations; replacements and modernization of the heating system, in addition to the central air-conditioning.

These projects are essential to the economic and efficient use and occupancy of the building. If the building were to be replaced, it could only be done at a cost of $5 million.

I have conferred with Mr. Gus Backman, Secretary of the Salt Lake Chamber of Commerce, who indicates that the project has broad local support. I respectfully urge approval of the full $440,700 requested by GSA for this worthy project.

Sincerely,

WALLACE F. BENNETT.

LETTER FROM SENATOR KEATING

Senator MAGNUSON. Then we have a letter from the Senator from New York, Senator Keating, about a Federal office building in Rochester, N.Y.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
May 10, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Senate Appropriations Committee, Washington, D.C.

MY DEAR MR. CHAIRMAN: For many years I have been very much interested in securing Federal approval for the construction of a Federal office building in Rochester, N.Y.

According to the prospectus prepared this spring by the General Services Administration, the present building is structurally obsolescent and grossly inadequate. Moreover, the city of Rochester has offered entirely free of charge to the Federal Government an excellent site in the new civic center. The GSA estimates this would save the Federal Government approximately $700,000.

Although there is no immediate time limit specified in the offer, the city council is naturally very much disturbed over the failure of the GSA to move ahead on the project. I would appreciate it very much if you would inquire during the hearings on the GSA appropriations when construction of a Rochester Federal building will be undertaken and how this project might properly be expedited.

I appreciate your kindness. With best wishes,

Very sincerely yours,

KENNETH B. KEATING.

SITES AND EXPENSES

Mr. KNOTT. That is in the program for sites and expenses.

Senator MAGNUSON. That is in the program for sites and building expenses?

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. Very well.

Do we have a list of the sites and expenses, building projects that we could put in the record?

Mr. BOUTIN. I would like to supply that for the record, Mr. Chairman. I am not satisfied with the condition of this list.

Senator MAGNUSON. All right, so we can have that, because a lot of these items that the Members of Congress are interested in do not realize that they are in that item rather than the construction.

Mr. BOUTIN. That is correct.

(The list referred to follows:)

GSA, public buildings construction projects fully approved by congressional Public Works Committees, during 2d sess., 87th Cong.

	Funding required for sites and expenses	Public Works Committee approval	
		House	Senate
1. New construction:			
Arizona: Tucson, BPS headquarters	$79,000	Apr. 10, 1962	Apr. 16, 1962
Arkansas: Pine Bluff, post office and courthouse	512,000	do	Do.
California: Fresno, courthouse and Federal office building	1,402,000	do	Do.
Long Beach Harbor Area, customhouse (revised)	346,000	July 16, 1962	July 20, 1962
Less prior appropriations	1,010,000		
Net	−664,000		
West Los Angeles, Federal office building	890,000	Apr. 10, 1962	Apr. 16, 1962
Georgia: Newnan, post office and courthouse	124,000	do	Do.
Illinois: East St. Louis, Federal office building	325,000	do	Do.
Indiana:			
Gary, Federal office building	398,000	do	Do.
New Albany, courthouse and Federal office building	303,000	do	Do.
Louisiana: Baton Rouge, post office and Federal office building	1,315,000	do	Do.
Maine: Bangor, post office and courthouse	897,000	do	Do.
Mississippi: Greenwood, post office and Federal office building	183,000	do	Do.
Missouri:			
Hannibal, post office and courthouse	555,000	do	Do.
Independence, post office and Federal office building	159,000	do	Do.
Montana:			
Bozeman, post office and Federal office building	590,000	do	Do.
Havre, BPS headquarters	58,000	do	Do.
Nevada:			
Carson City, post office and courthouse	648,000	do	Do.
Las Vegas, courthouse and Federal office building	1,113,000	do	Do.
New Hampshire: Portsmouth, post office and Federal office building	514,000	do	Do.
New Jersey: Newark, Federal office building	1,530,000	do	Do.
New Mexico:			
Clovis, post office and Federal office building	220,000	do	Do.
Roswell, courthouse and Federal office building	435,000	May 29, 1962	May 15, 1962
New York:			
Buffalo, Federal office building	1,582,000	July 16, 1962	July 20, 1962
Rochester, courthouse and Federal office building	673,000	Apr. 10, 1962	Apr. 16, 1962
Puerto Rico: San Juan, courthouse and Federal office building	653,000	do	Do.
Tennessee:			
Alamo, post office and Federal office building	60,000	do	Do.
Winchester, post office and courthouse	226,000	do	Do.
Texas:			
Alice, post office and Federal office building	151,000	do	Do.
Pasedena, post office and Federal office building	354,000	do	Sept. 8, 1961
Vermont: Swanton, BPS headquarters	68,500	do	Apr. 16, 1962
Washington:			
Blaine, BPS headquarters	62,000	do	Do.
Spokane, BPS headquarters	44,000	do	Do.
District of Columbia, Washington:			
FBI building	12,265,000	do	Do.
GSA Federal records center	650,000	do	Do.
Geological Survey	2,125,000	July 16, 1962	Do.
Subtotal (34 projects)	30,499,500		
2. Extension and conversion:			
Alaska: Fairbanks, post office, courthouse and jail	72,000	Apr. 10, 1962	Do.
Iowa: Cedar Rapids, post office and courthouse	78,000	do	Do.
Kentucky: London, courthouse and Federal office building	30,000	May 29, 1962	Do.
Louisiana: Baton Rouge, post office and courthouse	37,000	Apr. 10, 1962	Do.
Massachusetts: Springfield, post office and courthouse	320,000	do	Do.
Montana: Helena, post office and courthouse	154,500	do	Do.
New Hampshire: Laconia, Federal office building	40,000	do	Do.
New Mexico: Carlsbad, post office and Federal office building	55,000	do	Do.
North Dakota: Bismarck, post office and courthouse	55,000	do	Do.
Rhode Island: Providence, post office and Federal office building	80,000	do	Do.
Utah: Provo, post office and Federal office building	58,000	do	Do.
Subtotal (11 projects)	979,500		
Total (45 projects)	31,479,000		
Rounded to	31,500,000		

LETTER FROM SENATOR BARTLETT

Senator MAGNUSON. Now we have at the top of the list a building for Juneau, Alaska, and I want to put in the record a letter from Senator Bartlett, involving this amount.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
March 6, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: The 1963 fiscal year budget includes a request from the General Services Administration for $1,290,000 to construct a Federal building at Juneau, Alaska. I should very much appreciate the opportunity to appear before your subcommittee or to submit a statement on this item.

With highest regards, I am,

Sincerely yours,

E. L. BARTLETT.

(See statement on p. 1017.)

STATEMENT OF SENATOR GRUENING

Senator MAGNUSON. And we are glad to have with us Senator Gruening, who, I think, wants to make a statement on that building. We will be glad to hear from you.

Senator GRUENING. Thank you very much, Mr. Chairman.

Juneau is terribly overcrowded. Practically all the Government agencies are now, with the exception of one Federal building that was built in 1929, in rented space. This building is just about ready to go. It is going to contain a new post office. The post office facilities are very necessary, and it is a very inadequate building for courthouses and all kinds of offices.

If this 7-percent cut goes, the whole planning will have to be done over again. We will continue to have to pay rent in these buildings for another year and it would be just impossible to proceed on schedule. We lost at least a year, and I doubt if any money will be saved by this.

NO ECONOMY IN CUT

Actually, the redesigning will have to be done all over again—and, Mr. Boutin, correct me if I am wrong—but it seems to me there is absolutely no economy in this cut. Actually, it costs the Government more if this cut——

Senator MAGNUSON. You are talking about the House cut?

Senator GRUENING. I am talking about the House cut.

Senator MAGNUSON. All right.

Senator GRUENING. We would like to ask for the restoration of the full amount.

Senator MAGNUSON. How much is that?

Senator GRUENING. What is that amount?

Senator MAGNUSON. $846,000.

Mr. BOUTIN. $846,100.

Senator MAGNUSON. All right.

Mr. BOUTIN. Plus $203,000 for the fallout shelter.

Senator MAGNUSON. But the Juneau building is included in both items. It is merely the question of whether we put this extra amount in for that particular program.

Mr. BOUTIN. That is correct.

RESTORATION OF HOUSE REDUCTIONS

Senator GRUENING. It is a question of restoring the House cut.

Senator ELLENDER. You expect to act on all of them, do you not, Mr. Chairman? The cuts, as I understand it, the cut of 7 percent has been made on all of the——

Mr. BOUTIN. Uniformly.

Senator MAGNUSON. We will act on each one when we mark up the bill and act on each one individually.

Senator ELLENDER. That is why I did not go into the details.

Senator MAGNUSON. When we mark up the bill.

Senator MONRONEY. Mr. Chairman, let me clarify this. If the low bid on specifications runs below the amount that was budgeted, the Government says that money, does it not? This does not mean it is automatically expended; it merely guarantees the funds are there so the contractor may be approached in good faith.

Senator MAGNUSON. And they save money, and that is what we are talking about. They use some of this money to go out and pick up some bargains, let us put it that way.

Mr. BOUTIN. Oh, yes; or else to accelerate projects we have authorized.

Senator ELLENDER. But it might be more powerful to the Congress if we provide that these savings go back to the Treasury in these instances.

Senator MAGNUSON. It might.

But they have instances where we have, by the fact that this was available to them, and they use it very judiciously. We have been able to save again with those savings.

Mr. BOUTIN. We have been able to do things in the timely manner, like the Sault Ste. Marie situation. We have available right now in construction savings, that is, not earmarked, only about $494,000. We do not have a big amount that is just kicking around.

MONTPELIER REQUEST NOT IN BILL

Senator MAGNUSON. Now Montpelier, is that in here or is that a special amount we have to put in?

Mr. BOUTIN. Montpelier is not in here, Mr. Chairman, frankly, because we did not have time to go to the Bureau of the Budget to do anything about it or to present this to the House because the bids have just recently been received.

Senator MAGNUSON. All right. But if it should be put in and be sustained, would you be ready to go ahead?

Mr. BOUTIN. Absolutely. We could let a construction contract this fall.

SITES AND EXPENSES

Senator MAGNUSON. All right.

Now on sites and expenses, as I understand it, in order to handle the FBI, the GSA Records Center, and the Geological Survey, the additional amount would have to be how much?

Mr. BOUTIN. The total amount that we would require if we were to do all of these projects, all of those approved by the House, the FBI, Geological Survey, and the Records Center is $31,479,000.

Senator MAGNUSON. But if the FBI, if the $22 million, if you restore just the $22 million, the budget amount——

Mr. BOUTIN. We could not do the FBI.

Senator MAGNUSON. You could not do the FBI, but could do GSA Record Center and Geological Survey?

Mr. BOUTIN. That is correct, sir.

Senator MAGNUSON. The FBI is one separate over and above budgeted amount.

Mr. BOUTIN. Largely because of its size.

FBI STAFF LOCATION

Senator MAGNUSON. The FBI got about 800 people, I understand, in the Old Post Office Building.

Mr. BOUTIN. I believe there are nine locations, total.

Senator MAGNUSON. That is about 800 in the Old Post Office Building. Is that on the list to be torn down?

Mr. BOUTIN. Senator, with obsolete buildings of this type, we have not even dared to approach the problem of future use because of the need being so great. We have not made a determination.

Senator MAGNUSON. You have not made a determination on tearing that place down?

Mr. BOUTIN. That is correct.

Senator MAGNUSON. What is the situation now on the Old State-War Building where the Executive Offices now stand?

Mr. BOUTIN. Right now we are pointing the exterior and cleaning the exterior, so I thing it is going to just look beautiful from the outside, and we intend to come before the Congress at a later time requesting some funds to renovate the interior, But, at least right now, we are funded to take care of the exterior of this building, sir.

Senator ELLENDER. Is that the Old Navy Building?

Senator MAGNUSON. The Old State and War Building, across from——

Mr. BOUTIN. Across from the White House.

Senator MAGNUSON. The Executive Office Building now.

So there was a discussion as to whether they would tear that down, but that has now been laid to rest.

Mr. BOUTIN. Absolutely, that building is going to remain.

STATUS OF JACKSON PLACE BUILDING

Senator MAGNUSON. What is the status for this committee, because we wrestled with this for years, of the Jackson Place situation building?

Mr. BOUTIN. Very briefly, here is the situation that we find ourselves in now. We have engaged the services of John Warneke & Associates, of San Francisco, to come up with a comprehensive plan for the treatment of all of Lafayette Square, both sides of Lafayette Square, the court side and the Federal Office Building No. 7 side.

It is our hope we are going to keep and restore buildings like the Dolly Madison House, the Decatur House, the buildings on Jackson Place, taking out, if you want to use the term, the more modern buildings.

Senator MAGNUSON. That would leave the Decatur House. I am thinking out loud.

Mr. BOUTIN. Yes; it would. We retain the facade of all Jackson Place and part of the facade of the court side, Senator.

Senator MAGNUSON. Go around the corner to the Blair House?

Mr. BOUTIN. We are retaining all of that area.

Actually, it is our plan to locate Federal Office Building No. 7 on 17th Street, without interfering with the facade of Jackson Place.

We can locate the building there. Feasibility studies are being done and, in fact, we intend to go to the judges to talk to them about their facilities within the next 30 days.

We hope that we are going to be in a position, Mr. Chairman, where the plans will be complete by late spring, 1963, and next summer will be under construction on both sides of Lafayette Square.

COURT OF CLAIMS BUILDING

Senator MAGNUSON. What is the situation of the Old Court of Claims Building?

Mr. BOUTIN. It is our plan right now, and we are having an architectural feasibility study to keep this building and to restore it because of its historical significance, but not for continued use of the space by the courts. We have not made the determination of the occupying agency yet, but to keep it for itself.

Senator MAGNUSON. You could use it?

Mr. BOUTIN. Oh, absolutely, we could use it.

Senator MAGNUSON. And the Court of Claims would have to take new quarters.

Mr. BOUTIN. They will take new quarters which have been authorized by the Congress anyway. So we have no problem here at all.

CONSTITUTION AVENUE TEMPORARY BUILDINGS

Senator MAGNUSON. What is the situation with the old temporaries along Constitution Avenue?

Mr. BOUTIN. Senator, it is my hope, if I do not do anything else as Administrator of GSA, I think the one contribution we can make is to provide, and this goes to the heart of the leasing authority and goes to the heart of what Senator Hayden was talking about on the FBI Building, restoring these projects cut by the House, that we are going to get rid of the tempos on the Mall. The only tempos that we would retain for the present are those out at the National Airport, the tempo, even though I hate to classify it as that because it is concrete construction, the old Navy-Munitions Building, the concrete part of it, and some tempos down in the Fort McNair area, occupied by the Quartermaster Corps. All of the rest of them will be torn down within 2 years.

If we are not able to do this, we are going to have to come back, and nothing, I think, would be more detrimental to this committee and to the House committee, and say, "Gentlemen, we need $8 a square foot to renovate these buildings to make them last another 5 years."

It, I think, is a national disgrace that these buildings are still standing.

Senator MAGNUSON. I agree with you, and it seems to me now this committee—we spent all this money to build the Pentagon——

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON (continuing). And it was almost doubled when we got through. Everybody was going to move out there, but every-

body, and you cannot get them out there at all if they are downtown someplace.

The same has been true, of course, you had to take care of some new agencies, but surely there is space someplace to take care of what those eyesores are down there.

USE OF AUTHORITY TO CONSOLIDATE LEASES

Mr. BOUTIN. If we can use our authority, Mr. Chairman, to consolidate our leases, which is a saving in itself, if we can further maintain a reasonable construction program for the Metropolitan Washington area as outlined in the President's ad hoc committee report, we are going to be able to tear those things down and not put any more money in them.

I had a call just this week from one of the tenants of one of those agencies who told me he had not had any air conditioning all summer long. I went down and looked at the space in the company of Mr. Knott. The linoleum floor coverings are worn out, holes in the linoleum, the roof has been leaking, it is just a terrible situation. I would think morale would be just awful in those areas.

Senator MAGNUSON. I do not know what the rest of the committee feels, but I think that you will get the backing of this group to just pursue and dedicate yourself to that.

Mr. BOUTIN. And we really appreciate it.

FALLOUT SHELTERS

Senator MAGNUSON. All right.

Now, we will have to go over these, item by item, but one more question before we recess: On page 9 of your justification you got in the buildings, asking for restoration for fallout protection in certain buildings.

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. And these are the amounts involved after each building, and they total $3,340,000; is that correct?

Mr. BOUTIN. That is correct, sir.

Senator MAGNUSON. Now, you might answer the question why you have suggested the fallout shelters in some and not in others.

Mr. BOUTIN. I would think that perhaps at this time it would be wise, Mr. Chairman, if we had Mr. FitzSimons speak on this whole question of fallout, and I also would like to refer to the letter released by the President on August 3 relative to the fallout program.

But, Mr. FitzSimons, would you carry the ball on this, please?

GENERAL FALLOUT SHELTER PROGRAM

Mr. FITZSIMONS. Mr. Pitman has already written you concerning the fallout shelter program in general, and I would like to address myself to the specifics concerning the GSA program.

Senator MAGNUSON. Yes. Pitman testified, and we have the letter from the President in the Office of Civil Defense testimony, but we can put it in here, too.

Mr. BOUTIN. All right, sir.

Mr. FITZSIMONS. In answer to your specific question, we have already completed, as you probably know, an extensive survey of shelters throughout the country.

Senator MAGNUSON. Yes. It is not all completed, and they wanted $8 million to complete it.

Mr. FITZSIMONS. Right, sir.

Senator MAGNUSON. And then, once it is completed, they would have only then to take a look at new buildings and we are discussing new buildings.

Mr. FITZSIMONS. Right, sir.

To be more specific, phase 1 of the survey has been completed, and in this phase 1, architects and engineers have gone throughout the land and ascertained the most efficacious way of utilizing existing shelter space in Federal buildings as well as privately owned buildings.

SELECTED FEDERAL BUILDINGS AS SHELTERS

In working with GSA closely, it has enabled us, using the survey data and the GSA engineering data, to come up with certain selected Federal buildings which would lend themselves to economic incorporation of protective features; also the need for shelter, was determined in relation to population by local civil defense officials in cooperation with regional staff.

Senator MAGNUSON. Let us get this straight. You are not asking for any money in your alterations and remodeling for fallout shelters, are you?

Mr. FITZSIMONS. No. I am addressing myself to your question to Mr. Boutin as to where and how particular buildings were selected.

Senator MAGNUSON. I ask you to answer that question.

Mr. FITZSIMONS. Would you rephase it, sir?

Senator MAGNUSON. Do you have any money in your maintenance and——

Mr. FITZSIMONS. Operation, sir?

Senator MAGNUSON. Repair and improvement of public buildings for fallout shelter.

Mr. FITZSIMONS. No, we do not.

Mr. BOUTIN. You do not?

Mr. FITZSIMONS. Sir, the Office of Civil Defense budgeted for and has requested restoration of funds for the modification costs of fallout shelters in existing buildings.

Senator MAGNUSON. Yes. So that item——

Mr. FITZSIMONS. Is another.

Senator MAGNUSON. There is no overlapping?

Mr. FITZSIMONS. No, sir.

Senator MAGNUSON. That is the item they asked us for and you are talking now about new buildings.

LANGUAGE UNDER SECTION 303 AND FUNDS INVOLVED

Mr. BOUTIN. Actually, this is in two sections, Mr. Chairman, this question of fallout. It is the language under section 303, on money already appropriated, and it is the question of funds for these new buildings.

Now, Mr. Schmidt, can you testify as to which of these buildings were left out?

Senator MAGNUSON. I want to get this straight. We have had a lot of problems with this. Let us answer this categorically.

In repair and improvement of public buildings, where you have $65 million to maintain, repair, and remodel federally owned buildings, is there any amount in that $65 million for remodeling for the purpose of fallout shelters?

Mr. BOUTIN. Not one penny.

Senator MAGNUSON. OK.

SOURCE OF FUNDS

But if these buildings are to be remodeled for fallout shelters, that money would come in the Office of Civil Defense.

Mr. BOUTIN. They would either come——

Senator MAGNUSON. Or Defense?

Mr. BOUTIN. Office of Defense.

Senator MAGNUSON. Civil Defense.

Mr. FITZSIMONS. Right, sir.

Senator MAGNUSON. So there is no duplication or overlapping?

Mr. BOUTIN. No, none at all.

Senator MAGNUSON. When it comes to new buildings then, you must suggest this amount?

Mr. BOUTIN. That is correct, sir.

Senator MAGNUSON. All right.

Mr. FITZSIMONS. I would like to stress two points, Mr. Chairman. One of them was brought up earlier concerning——

Senator MAGNUSON. Talk louder, sir, so everybody can hear you.

ECONOMY OF SHELTER PROGRAM IN INITIAL PLANNING

Mr. FITZSIMONS. I say, one of the points which I would like to stress was brought up earlier with reference to Tulsa, where it was clearly ascertained that if you do something during the initial planning and design stages you can have great economies, and because of the shelter program being a long-range program we are particularly anxious to incorporate protective features at these early stages. This is far more economical on the part of the Federal Government.

Senator MAGNUSON. I do not think you need to belabor the committee with that. We agree with that. What we have to wrestle with is whether we put them in or not. There is no question about it. If you put them in a new building when you start it is going to be cheaper than to remodel the building if the committee decides to do this. But why are they in some and not in others?

DETERMINATION OF LOCAL NEEDS

Mr. FITZSIMONS. As I started to explain, sir, the idea was to utilize the data from the national surveys and working closely with local civil defense authorities to determine what the local needs are in relation to local daytime and nighttime population.

The second criterion is: can these buildings be economically modified for this purpose?

Senator MAGNUSON. These amounts that you have here are amounts that you can use.

Mr. FITZSIMONS. Efficiently.

Senator MAGNUSON. Wisely and efficiently, if we are going to put in fallout shelters.

Mr. FITZSIMONS. Right, sir.

Senator MAGNUSON. All right.

Senator ALLOTT. Mr. Chairman, in these particular buildings——

Mr. KNOTT. The omissions, Mr. Chairman, relate primarily to border stations and those projects concerning conversion of existing buildings.

Senator MAGNUSON. Here is New Orleans.

Mr. KNOTT. That is a conversion of the old post office.

Senator MAGNUSON. I see. All right.

Mr. FITZSIMONS. I would like to mention, if I may, that the incremental cost involved are the order of 1 percent——

Senator MAGNUSON. We can see that, a small percent.

Mr. FITZSIMONS. And further the actual differential in bidding——

Senator MAGNUSON. Is $3,340,000.

Mr. FITZSIMONS. Right, sir.

Senator MAGNUSON. All right. The committee understands.

Senator ALLOTT. I have one other thing to make clear on this, Mr. Chairman. These figures as in the past do not include anything except the basic provision for structure and space that do not include any of the other facilities, the mechanical facilities which would be considered as an ordinary part of fallout facilities.

Mr. BOUTIN. That is correct.

Senator ALLOTT. In this respect, the program is not changed in any way.

Mr. KNOTT. That is right.

Mr. BOUTIN. No way at all that I know of.

Senator ALLOTT. All right. Somebody is going to ask us that, you bet your boots on that.

FALLOUT PROTECTION IN EXISTING BUILDINGS

Senator MAGNUSON. What we want to know is there some DOD man here who can tell us how we got into this last year in existing buildings?

Mr. MANNING. I believe I can contribute to that. I am Charles Manning from the Office of General Counsel of the Department of Defense.

Senator MAGNUSON. Yes.

Mr. MANNING. We got into it by the specific justification being made to the Defense Appropriation Committee which included a number of projects by list to that committee of the GSA buildings in which we intended to accomplish the modifications.

We requested $17,500,000 for this purpose which the committee granted, and which over the span of the past year with the GSA we have been going into comprehensive planning for the accomplishment of this modification of this space.

EXPENDITURES FOR REMODELING

Senator MAGNUSON. Have you spent any money for remodeling?

Mr. MANNING. We have spent, we have either in the hands of the constructing agencies, and as we understand it from them, under contract, both design contracts and construction contracts, sir, to my recollection, running something over in excess of $3 million. Now, I do not want to be held to that figure because I am not sure of that.

Senator MAGNUSON. And the rest of the 17 was used for the survey?

Mr. MANNING. No, sir. The rest of the $17.5 million will be used to accomplish the remainder of the modifications of designs or structures in the buildings. We have laid constructing orders to the constructing agencies through project orders.

Senator MAGNUSON. Would you put the list of the buildings in the record—the ones you have remodeled, and the ones you expect to of the 17?

Mr. MANNING. Yes, sir. We will supply that for the record.

(The information referred to follows:)

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., August 13, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Appropriations Committee, U.S. Senate.

DEAR MR. CHAIRMAN: At the August 9 hearing on the General Services Administration, part of the Independent Offices Appropriations Act, 1963, you requested a list of projects for fallout shelter in Federal buildings funded from the Department of Defense Appropriations Act, 1962 (Public Law 87-144).

Project orders in the amount of $17,252,535 have been placed with various constructing agencies for the incorporation of fallout shelter in new and existing nonmilitary buildings. The attached list of buildings indicates, by appropriate notations, projects on which design or construction work has been initiated.

As indicated in the Defense Department statement submitted during the civil defense part of the hearings of your committee, the House Independent Office appropriation bill could be construed to deobligate all or a large part of this amount. If this was the intention of the House, it probably goes further to undermine the President's civil defense program than any other action taken.

A well-conceived program has been developed to exploit these funds to the maximum in developing experience, design, and cost information for use in the civil defense programs of the Federal, State, and local governments, and for use by industry and other owners of buildings comparable to those selected. Plans for utilization of these funds have been generated after review of large numbers of Federal buildings with the assistance of architectural and engineering advice from both inside and outside the Government. Deobligation of these funds would not only impair outstanding contracts but would waste many months of hard work inside and outside the Government which are about to provide a return immediately useful in the new civil defense program.

Accordingly, I am taking this occasion to emphasize the special importance of the program which has been initiated by the obligation of this $17.2 million.

Sincerely,

STEUART L. PITTMAN.

Attachments.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962

	Fiscal year 1962 program	Obligations incurred
General Services Administration	$14,463,300	$14,343,498
Veterans' Administration	900,700	823,351
Tennessee Valley Authority	720,000	720,000
Interior Park Service	844,000	802,043
Agriculture Forest Service	300,000	291,643
Panama Canal Company	262,000	262,000
Post Office	10,000	10,000
Total	17,500,000	17,252,535

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriatiin Act of 1962, Aug. 9, 1962

Alabama:	
Anniston	Post office and courthouse.
Birmingham	Do.
Decatur	Do.
Demopolis	Post office.
Dothan	Post office and courthouse.
Florence	Do.
Montgomery	Do.
*Tuscaloosa	Do.
Alaska:	
*Anchorage	Do.
Fairbanks	Do.
Ketchikan	Post office, customhouse, and jail.
Nome	Post office and courthouse.
Sitka	Do.
Wrangell	Post office and customhouse.
Arizona:	
Douglas	Post office.
Flagstaff	Do.
Globe	Post office and courthouse.
Kingman	Post office.
Phoenix	Do.
*Prescott	Forest Service supervisor's office.
Do	Post office.
*Safford	Federal office building and post office.
Tucson	Post office and courthouse.
Winslow	Post office.
Yuma	Do.
Arkansas:	
Batesville	Post office and courthouse.
Camden	Post office, etc.
El Dorado	Post office and courthouse.
Harrison	Do.
Heber Spring	Post office.
Helena	Post office and courthouse.
Hot Springs	Federal office building, post office, and courthouse.
Jonesboro	Post office and courthouse.
*Little Rock	Federal office building.
Texarkana	Post office and courthouse.
Van Buren	Post office.
California:	
Alameda	Do.
Alhambra	Do.
Anaheim	Do.
Bakersfield	Do.
Brawley	Do.
Burbank	Do.
Calexico	Do.
Chico	Do.
Covina	Do.
Eureka	Post office and courthouse.
Fresno	Do.
La Jolla	Post office.
Long Beach Area	Customhouse.
*Los Angeles	Federal office building.
Madera	Post office.
*Martinez	VA hospital.
Monterey	Post office.
Oakland	Post office and customhouse.
Ocean Side	Postoffice.
*Palo Alto	VA hospital.

*For projects marked with an asterisk, design and/or construction work has been initiated.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

California—Continued	
Pasadena	Post office.
Porterville	Do.
*Red Bluff	Post office and Federal office building.
Roseville	Post office.
Sacramento	Courthouse and Federal office building.
San Diego	Customhouse and courthouse.
San Francisco	Courthouse and Federal office building.
Do	Post office and courthouse.
Santa Barbara	Post office and Federal office building.
Santa Rosa	Post office.
Stockton	Do.
Whittier	Do.
Colorado:	
*Basalt	Forest Service quarters.
*Denver	Courthouse and Federal office building.
Do	Customhouse.
*Do	VA hospital.
Durango	Post office.
Grand Junction	Post office and courthouse.
*Gunniston	Forest Service ranger station.
La Junta	Post office.
Lamay	Do.
Las Animas	Do.
*Pueblo	Post office and courthouse.
Rifle	Post office.
Rocky Ford	Do.
Trinidad	Do.
Connecticut:	
Hartford	Courthouse and Federal office building.
New Britain	Post office.
New Haven	Do.
New London	Do.
Norwich	Do.
Oakville	Do.
*Putnam	Do.
Stamford	Do.
Torrington	Do.
Delaware:	
Dover	Do.
Georgetown	Do.
Harrington	Do.
Laurel	Do.
Rehoboth Beach	Do.
Seaford	Do.
*Wilmington	Post office and courthouse.
District of Columbia:	
Washington, D.C.	Agriculture administration.
Do	Government Accounting Office.
Do	Federal office building No. 1.
Do	Federal office building No. 7.
Do	Federal office building No. 8.
Do	Federal office building No. 9.
Do	Federal office buildings Nos. 10A and 10B.
Do	U.S. Court of Claims and Court of Customs and Patent Appeals Building.
*Do	VA hospital.
Florida:	
Gainesville	Post office and courthouse.
Jacksonville	Do.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Florida—Continued	
Miami	Federal office building.
*Ocala	Do.
Orlando	Post office.
Pensacola	Post office and courthouse.
Tallahassee	Do.
Tampa	Do.
Georgia:	
Albany	Do.
Atlanta	Federal office building.
Brunswick	Post office.
*Clarksville	Forest Service ranger office.
Dalton	Post office.
*Gainesville	Post office and courthouse.
*Macon	Ocmulgee National Monument visitor center.
Do	Post office and courthouse.
Rossville	Post office, etc.
Sparta	Post office and Federal office building.
Statesboro	Do.
Thomasville	Post office and courthouse.
Valdosta	Do.
Winder	Post office and Federal office building.
Do	Post office.
Hawaii:	
Hilo	Post office and courthouse.
Honolulu	Do.
*Wailuku	Post office.
Idaho:	
*Boise	Forest Service dormitory.
Do	Post office and courthouse.
Bonners Ferry	Post office.
Caldwell	Do.
Coeur d'Alene	Post office and courthouse.
Grangeville	Post office.
*Idaho Falls	Federal office building.
*Kamiah	Forest Service fire control center.
Lewiston	Post office.
*Moscow	Forest Service office.
Pocatello	Post office and courthouse.
Preston	Do.
Illinois:	
Aurora	Post office.
*Benton	Post office and courthouse.
*Canton	Post office.
Chicago	Federal office building (536 South Clark Street).
*Do	Courthouse and Federal office building.
*Do	VA hospital.
*Centralia	Post office.
*Harvey	Do.
*Jacksonville	Do.
*La Salle	Do.
*Marion	Do.
*Rockford	Do.
*Rock Island	Post office and courthouse.
*Springfield	Do.
*Urbana	Post office.
West Frankfort	Do.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Indiana:	
Bloomington	Post office.
Connersville	Do.
*Elkhart	Do.
Evansville	Do.
*Fort Wayne	Post office and courthouse.
Hammond	Do.
Huntington	Post office.
Indianapolis	Post office and courthouse.
*Do	VA hospital.
*Lafayette	Post office.
Iowa:	
Burlington	Do.
Cedar Rapids	Post office and courthouse.
Davenport	Do.
Des Moines	403 Walnut Street (formerly Valley Bank Building).
*Fort Dodge	Federal Office Building (new).
LeMars	Post office.
Mason City	Post office and courthouse.
Waverly	Post office.
Kansas:	
Coffeyville	Do.
Dodge City	Do.
*Emporia	Do.
Great Bend	Federal office building.
Horton	Post office.
Hutchinson	Do.
Marysville	Do.
Osage City	Do.
Salina	Do.
Topeka	Post office and courthouse.
Kentucky:	
Ashland	Post office.
Central City	Do.
Covington	Post office and courthouse.
Hazard	Post office.
Lexington	Post office and courthouse.
*Louisville	Do.
* Do.	VA hospital.
Paducah	Post office and courthouse.
Somerset	Post office.
Louisiana:	
*Alexandria	Forest Service supervisor's office.
Do.	Post office and courthouse.
Bogalusa	Post office.
Homer	Do.
Monroe	Post office and courthouse.
*Natchitoches	Do.
New Orleans	Do.
Opelousas	Do.
*Ruston	Do.
Winnfield	Post office.
Maine:	
Auburn	Do.
Calais	Post office and courthouse.
Caribou	Post office.
Houlton	Post office and customhouse.
Jackman	Border station.
Lewiston	Post office.
Lubec	Border station.
Millinocket	Post office.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Maine—Continued	
*Portland	Post office.
Rumford	Do.
Sanford	Do.
Van Buren	Border station.
Vanceboro	Do.
Waterville	Post office.
Maryland:	
*Annapolis	Do.
Baltimore	Post office and courthouse.
Cambridge	Post office.
Cumberland	Post office and courthouse.
Denton	Do.
Frederick	Post office.
Havre de Grace	Do.
Laurel	Do.
Salisbury	Do.
*Sharpsburg	Antietam National Battlefield Site visitor center.
Suitland	Federal office building No. 3.
Westminister	Post office.
Massachusetts:	
Boston	Post office and courthouse.
Fitchburg	Post office.
Brockton	Do.
*Do	Veterans' Administration hospital.
Gardner	Post office.
Holyoke	Do.
Hyannis	Do.
Newburyport	Do.
Quincy	Do.
*Salem	Do.
Springfield	Post office and courthouse.
Worcester	Do.
Michigan:	
Alpena	Post office.
Battle Creek	Do.
Bay City	Post office, courthouse, and customhouse.
Cadillac	Post Office.
Detroit	Post office and courthouse.
Do	Immigration and Naturalization center (extend and remodel).
Flint	Post office.
Grand Rapids	Post office and courthouse.
*Lansing	Do.
Muskegon	Do.
Wyandotte	Post office, etc. (extend and remodel).
Minnesota:	
Albert Lea	Post office.
*Bemidji	Federal office building (new).
Crookston	Post office.
Duluth	Post office and courthouse.
Grand Rapids	Post office.
Minneapolis	Post office and garage.
*Do	Veterans' Administration hospital.
Hibbing	Post office.
Mankato	Do.
Rochester	Do.
St. Cloud	Do.
St. Paul	Post office, customhouse (extend and remodel).

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Mississippi:	
Biloxi	Post office and courthouse.
Columbus	Post office.
Greenville	Post office, courthouse, and Federal office building.
Hattiesburg	Courthouse.
Indianolo	Post office.
*Jackson	Post office and courthouse.
*Do	Veterans' Administration hospital.
Meridian	Post office and courthouse.
Natchez	Post office.
*Tupelo	Park Service visitor center.
Do	Post office and Federal office building.
Vicksburg	Post office and courthouse.
Missouri:	
Aurora	Post office.
Boonville	Do.
Carthage	Do.
Jackson	Do.
Maryville	Do.
Moberly	Federal office building (new).
*St. Joseph	Post office and courthouse.
St. Louis	Post office.
*Do	Jefferson National Expansion Memorial visitors center.
*Do	Veterans' Administration hospital.
Sedalia	Post office.
Springfield	Post office and courthouse.
Montana:	
Anaconda	Post office.
*Billings	Post office and courthouse.
Butte	Do.
*Glacier	Glacier National Park visitors center.
*Great Falls	Post office and courthouse.
Helena	Federal office building.
Kalispell	Post office.
Miles City	Do.
*Missoula	Forest Service aerial fire department.
*Do	Post office, courthouse, and Federal office building.
*Murphy Lake	Forest Service fire-control center.
Sweetgrass	Border station.
Nebraska:	
Falls City	Post office.
*Grand Island	Post office and courthouse.
Hastings	Do.
Norfolk	Do.
Omaha	Federal office building.
Scottsbluff	Post office.
Wahoo	Do.
Nevada:	
Carson City	Post office and courthouse.
Elko	Post office.
Ely	Do.
*Fallon	Do.
Las Vegas	Post office and courthouse.
Lovelock	Agriculture and post office.
Reno	Post office.
Tonopah	Do.
Winnemucca	Do.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

New Hampshire:	
Claremont	Post office.
Derry	Do.
Dover	Do.
Franklin	Do.
*Littleton	Post office and courthouse.
Manchester	Post office.
Rochester	Do.
New Jersey:	
Bergenfield	Do.
Camden	Post office and courthouse.
Newark	Do.
Orange	Post office.
Plainfield	Do.
Riverton	Do.
Salem	Do.
*Trenton	Post office and courthouse.
New Mexico:	
Albuquerque	Federal office building.
Clovis	Post office.
Deming	Do.
Las Cruces	Post office and courthouse.
Las Vegas	Do.
Portales	Post office.
*Santa Fe	Courthouse.
Do	Post office and Federal office building.
Silver City	Post office.
New York:	
Albany	Post office, courthouse, and customhouse.
Albion	Post office.
Amsterdam	Do.
Auburn	Post office and courthouse.
Bay Shore	Post office.
Beacon	Do.
Binghamton	Post office and courthouse.
Boonville	Post office.
Brooklyn	Courthouse and Federal office building.
Canandaigua	Post office and courthouse.
Canton	Post office.
Cooperstown	Do.
Dunkirk	Do.
East Rochester	Do.
Elmira	Post office and courthouse.
Endicott	Post office.
Flushing	Do.
Freeport	Do.
Fulton	Do.
Glens Falls	Do.
Gloversville	Do.
Ithaca	Do.
Jamaica	Do.
Jamestown	Do.
Johnson City	Do.
Johnstown	Do.
Lake Placid	Do.
Long Beach	Do.
Masena	Border station.
Monticello	Post office.
Mount Vernon	Do.
Newburg	Do.
New York	Customhouse, courthouse, and Federal office building.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

New York—Continued	
*New York	Statue of Liberty visitors center.
Niagara Falls	Customhouse.
North Tonawanda	Post office.
Ogdensburg	Customhouse.
Ossining	Post office.
Oswego	Do.
Plattsburg	Post office and customhouse.
*Rochester	Post office.
Rome	Do.
Saranac Lake	Do.
*Saratoga	National Historical Park visitors center.
Schenectady	Post office.
Staten Island	Public Health Service hospital.
Do	Buliding No. 7.
Do	Building No. 2.
Do	Building No. 3.
Syracuse	Post office.
*Do	Veterans' Administration hospital.
Tonawanda	Post office.
Utica	Post office, courthouse, and customhouse.
Waterloo	Post office.
Whitehall	Do.
Yonkers	Do.
North Carolina:	
*Asheville	Post office and courthouse.
Bryson City	Do.
Charlotte	Do.
Elizabeth City	Do.
Raleigh	Do.
Salisbury	Do.
Thomasville	Post office.
Wilmington	Do.
Wilson	Post office and courthouse.
Winston-Salem	Do.
North Dakota:	
Bismarck	Do.
Do	Post office and courthouse (new).
Dickinson	Post office.
*Fargo	Post office and courthouse.
Grand Forks	Do.
Minot	Do.
Pembina	Border station.
Wahpeton	Post office.
Williston	Do.
Ohio:	
Ada	Do.
*Alliance	Do.
Amherst	Do.
Barberton	Do.
Barnesville	Do.
Bellefontaine	Do.
Bowling Green	Do.
Bridgeport	Do.
Bryan	Do.
Bucyrus	Do.
Cambridge	Do.
Campbell	Do.
Chillicothe	Do.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Ohio—Continued	
Cincinnati	R. A. Taft Sanitary Engineering Center.
Do	Post office and courthouse.
*Do	Federal office building.
*Do	VA hospital.
Cleveland	Post office, customhouse, and courthouse (new).
Do	Post office (new).
*Do	VA hospital.
*Columbus	Post office and courthouse.
Conneaut	Post office.
Crookville	Do.
Dayton	Do.
Marietta	Do.
Port Clinton	Do.
Stubenville	Post office and courthouse.
Troy	Post office.
Toledo	Federal office building.
Warren	Post office.
Youngstown	Post office and courthouse.
Oklahoma:	
Ardmore	Do.
Bartlesville	Do.
Cuthrie	Do.
McAlester	Do.
*Miami	Do.
Oklahoma City	Courthouse and Federal office building.
Do	Post office and courthouse.
Ponca City	Do.
Tulsa	Do.
Oregon:	
Astoria	Do.
Baker	Post office.
Lakeview	Do.
Medford	Post office and courthouse.
Do	Post office, etc.
Oregon City	Post office.
*Portland	Interior building.
*Salem	Post office.
Panama Canal Company:	
*Balboa	School complex.
Pennsylvania:	
Allentown	Post office.
Bradford	Do.
*Butler	VA hospital.
*Coatsville	Do.
Easton	Post office.
Erie	Do.
*Gettysburg	Park Service visitors center.
Johnstown	Post office, etc. (extension and remodeling).
Lancaster	Post office.
Lebanon	Post office and Federal office building.
Lewisburg	Post office and courthouse.
Philadelphia	Customhouse and appraisers stores.
*Do	VA hospital.
Pittsburgh	Post office and courthouse (new).
*Do	Federal office building.
Reading	Post office.
*Scranton	Post office and courthouse.
Washington	Post office.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Rhode Island:	
Newport	Post office and customhouse.
*Pawtucket	Post office.
Providence	Federal office building and post office.
Warren	Post office.
Warwick	Do.
Woonsocket	Do.
South Carolina:	
Anderson	Post office and courthouse.
*Bamberg	Post office.
Charleston	Post office and courthouse.
Columbia	Courthouse.
Darlington	Post office.
Florence	Do.
Georgetown	Do.
Greenwood	Post office and courthouse.
Spartanburg	Post office (old).
South Dakota:	
Aberdeen	Post office and courthouse.
Beresford	Post office.
Brookings	Do.
Deadwood	Post office and courthouse.
Gregory	Post office.
Hot Springs	Do.
*Huron	Post office and courthouse.
*Keystone	Mount Rushmore National Memorial Visitor Center.
Lead	Post office.
Lemmon	Do.
Madison	Do.
Pierre	Post office and courthouse.
Rapid City	Post office.
Sioux Falls	Post office and courthouse.
Sisseton	Federal office building.
Sturgis	Post office.
Vermillion	Do.
Watertown	Do.
Webster	Do.
Winner	Do.
Tennessee:	
Bristol	Post office.
*Chattanooga	TVA office buildings.
Clarksville	Post office.
Cleveland	Do.
Dyersburg	Post office and Federal office building.
Gatlinburg	Great Smoky Mountain National Park Visitors Center.
*Greenville	Post office and courthouse.
Jackson	Do.
*Kings Mountain	Kings Mount National Park Visitors Center.
Kingsport	Post office.
Knoxville	Post office and courthouse (new).
* Do	TVA office building.
Manchester	Post office and agriculture building.
Maryville	Post office.
Memphis	Courthouse and Federal office building.
Morristown	Post office.
*Murfreesboro	Stones River National Battlefield Visitor Center.
*Muscle Shoals	TVA office building.
Nashville	Courthouse.
*Do	VA hospital.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Tennessee—Continued	
*Pickwick	TVA hydroelectric plant.
Pulaski	Post office.
Rockwood	Do.
Rogersville	Do.
South Pittsburg	Do.
Trenton	Do.
*Watts Bar	TVA thermoelectric plant.
Miscellaneous locations in Tennessee Valley	87 TVA power operation stations.
Texas:	
Amarillo	Post office and courthouse (new).
Brownsville	Customhouse and courthouse.
Dallas	Post office and courthouse.
El Paso (Cordova Island)	Border station.
Fort Worth	Courthouse.
Galveston	Post office and courthouse.
Houston	Federal office building.
Do	Courthouse and Federal office building.
Do	VA hospital.
*Palestine	Post office.
Paris	Federal office building.
Pecos	Post office and courthouse.
Port Arthur	Do.
San Antonio	Post office.
*Waco	Post office and courthouse.
Utah:	
Cedar City	Post office.
Logan	Do.
Nephi	Do.
*Ogden	Post office and courthouse.
Price	Post office.
Provo	Do.
Tooele	Do.
Salt Lake City	Federal office building.
Vermont:	
Bennington	Post office.
Burlington	Post office and courthouse.
Derby Line	Border station.
Montpelier	Post office and courthouse.
Newport	Postoffice, customhouse and courthouse.
Rutland	Post office and courthouse.
*St. Albans	Post office and customhouse.
Woodstock	Post office.
Virginia:	
Danville	Post office and courthouse.
Newport News	Post office, courthouse, and customhouse.
Portsmouth	Federal office building.
Richmond	Do.
Do	Parcel post building.
Roanoke	Post office and courthouse.
Staunton	Post office.
Suffolk	Do.
*Waynesboro	Federal office building.
Winchester	Post office.
Washington:	
*Auburn	General Services Administration, regional office building.
Chehalis	Post office.

See footnote, p. 689.

Shelter in nonmilitary Federal buildings financed from Department of Defense Appropriation Act of 1962, Aug. 9, 1962—Continued

Washington—Continued	
Dayton	Post office, etc.
Olympia	Post office.
Seattle	Courthouse.
*Spokane	Post office, courthouse, and Federal office building.
Tacoma	Courthouse and customhouse.
Vancouver	Post office.
*Walla Walla	Post office and courthouse.
*Wenatchee	Forest Service field headquarters.
Yakima	Post office and courthouse.
West Virginia:	
*Charleston	Federal office building.
Clarksburg	Post office and courthouse.
Elkins	U.S. Forest Service building.
Huntington	Post office.
Morgantown	Do.
Parkersburg	Dills Building (Treasury).
Do	Courthouse and Federal office building.
Princeton	Post office.
Wisconsin:	
Ashland	Do.
Beloit	Do.
Green Bay	Post office and Federal office building (new).
La Crosse	Post office and courthouse.
*Madison	Do.
Menasha	Post office.
Rice Lake	Do.
Superior	Post office and courthouse.
Wyoming:	
*Casper	Do.
Cheyenne	Federal building (recreation).
Rawlins	Post office.
Rock Springs	Do.
Sheridan	Post office and courthouse.

See footnote, p. 689.

FUNDS IN DEFENSE BILL

Senator MAGNUSON. Is there any money in the defense bill this year for that?

Mr. MANNING. There is $35 million requested, which the House deleted, which we have asked you to restore in our reclaimer to you, sir, for modification of existing buildings.

Senator MAGNUSON. Where is that located?

Mr. BOUTIN. Not in our budget, sir.

Senator MAGNUSON. Not in this budget?

Mr. BOUTIN. No.

Senator MAGNUSON. So the Appropriations Committee last year said design the fallout shelters, but the defense budget put this money in?

LANGUAGE IN INDEPENDENT OFFICES BILL

Mr. MANNING. The independent offices appropriation said none of these funds shall be used for fallout shelters unless specifically provided, Senator. This was the language, Mr. Chairman, of section 303.

Senator MAGNUSON. Yes.

Mr. MANNING. In our interpretation of section 303, the specific appropriation, based upon the justification in the Defense Appropria-

tions Act, was a specific provision of funds. This was the basis of the go-ahead in this project, sir.

Senator MAGNUSON. Which bill was signed, first?

Mr. MANNING. The Independent Offices Appropriations bill was signed first, Mr. Chairman.

Senator MAGNUSON. So then after we left you went on and spent the money.

Mr. MANNING. Yes, sir; on the basis that it had been specifically provided for, Mr. Chairman.

FALLOUT PROTECTION IN NEW BUILDINGS

Senator MAGNUSON. But we are clear now that on new buildings there is no duplication. There is nothing in the Defense budget. It is all in this budget.

Mr. MANNING. On new buildings, Defense is not requesting any funds in its appropriation for new buildings under jurisdiction of GSA. All of the funds here are for the new buildings in GSA.

Senator MAGNUSON. Are Defense buildings?

Mr. MANNING. I beg pardon, sir?

Senator MAGNUSON. Are Defense Department buildings?

Mr. MANNING. No. Defense buildings are in the GSA request before you.

Senator MAGNUSON. I understand that. But your funds in the Defense appropriation if they are for fallout shelters are in Defense.

Mr. MANNING. Are in the military construction appropriations request for new buildings; yes, sir.

Senator MAGNUSON. I think we understand this.

Senator ALLOTT. I understand it.

Senator MAGNUSON. Yes.

Mr. BOUTIN. The only funds at all in our budget on fallout shelters are funds you see listed here for specified buildings.

Senator MAGNUSON. All right.

The committee will recess until 2:30.

(Thereupon, at 12:35 p.m., the committee recessed, to reconvene at 2:30 p.m., of the same day.)

(AFTERNOON SESSION—2.30 P.M., THURSDAY, AUGUST 9, 1962)

Senator MAGNUSON. All right. The committee will come to order.

Are there any further questions on the building construction? If not, we will go to the next item, which is payments, public buildings purchase contracts.

PAYMENTS, PUBLIC BUILDINGS' PURCHASE CONTRACTS

The bill includes $5,440,000 requested for payment of principal, interest, taxes, and other expenses in connection with lease-purchase agreements under the Public Buildings Purchase Contract Act of 1954. This provides for payments to contractors and taxing authorities on 20 projects. The House says then that—

> The Government should consider buying these buildings whenever the opportunity arises as the Government can save money by doing so.

LIST OF PROJECTS

Do you have a list of those projects?

Mr. TURPIN. Yes, sir.

Senator MAGNUSON. Do you want to read them off?

Mr. TURPIN. Yes, sir.

Sacramento, Calif.; two in Georgia—Atlanta and Brunswick; Benton, Ill.; two in Iowa—Burlington and Council Bluffs.

Two in Kansas—Kansas City and Sedan.

Mississippi has three—Biloxi, Greenville, and Laurel.

Nebraska has Omaha. Then Durham, N.H.; Albuquerque, N. Mex.; Manning, S.C.; Kingsport, Tenn.; Gainesville, Tex.; Burlington, Vt.; Huntington, W. Va.; and Green Bay, Wis.

There is a total of 20. This amount, Mr. Chairman, is the——

Senator MAGNUSON. Is the amount that is needed.

Mr. TURPIN. To take care of the fixed amounts.

Senator MAGNUSON. That is needed to take care of the fixed amounts?

Mr. TURPIN. Yes, sir.

PROSPECTS OF PURCHASE OF BUILDINGS

Senator MAGNUSON. Are there any prospects of their buying some of them?

Mr. BOUTIN. No; there is not, Mr. Chairman. We have talked with the owners of some of the various buildings. This morning we referred in our testimony to those we had already acquired from savings. These are the remainder where the owners at least thus far are unwilling to sell. We continually talk with them and when funds are available we will attempt to acquire them if we can.

Senator MAGNUSON. This is kind of the tail end of the lease-purchase.

Mr. BOUTIN. This is the tail end. It is the remainder.

Senator MAGNUSON. Except for that Sacramento thing. There was some other arrangement there, was there not?

Mr. BOUTIN. That was lease-purchase.

Mr. KNOTT. That was the last of the lease-purchase.

Senator MAGNUSON. That is right. It was the last one. We made the exception and put that in after we had adopted the other policy.

Mr. BOUTIN. That is right. It was opened last year.

LENGTH OF STILL EXISTING CONTRACTS

Senator MAGNUSON. Generally, how long do these contracts run before we get out of the woods?

Mr. TURPIN. They are all 10- and 25-year periods. There are six on a 25-year period and all of the rest are on a 10-year period.

Senator MAGNUSON. If they should not want to sell some of those we will get out of them pretty shortly.

Mr. TURPIN. Yes, sir. At the end of the 10-year period.

Senator ELLENDER. What will happen at the end of 10 years? Are they bound to sell or do we take them over?

Mr. TURPIN. No, sir. They then become the property of the Government.

Senator ELLENDER. And it would pay better to take them now than to wait until the 10 years or 25 years go by?

Mr. TURPIN. If the private owners are willing to sell them.

Senator ELLENDER. That is what I am talking about.

Mr. TURPIN. Yes, sir.

Mr. BOUTIN. We have, Senator, after the first half of the term a condition in the contract, where we can then buy.

Senator ELLENDER. The price is fixed?

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. All right. The next item is additional court facilities.

ADDITIONAL COURT FACILITIES

The House recommended $8,500,000 for remodeling and adding to court facilities to continue the program of remodeling and to accommodate the 73 new judges. You remember, the original estimate the House had here was much higher, $17,705,000, but it is less as we moved along because we did not appropriate the full amount.

Mr. BOUTIN. That is correct.

Senator MAGNUSON. That is the end of it, is it not?

SUPPLEMENTAL APPROPRIATION

Mr. BOUTIN. That is correct. The supplemental appropriation for 1962, just approved, gives $2 million.

Mr. TURPIN. Yes. This will make a total of $13 million.

Mr. BOUTIN. Right. This will make a total of $13 million. We are not appealing the $500,000 cut here, Mr. Chairman, because we are very hopeful we are going to be able to live within the $8½ million, plus what has already been appropriated.

Senator MAGNUSON. Some of these will be taken care of, however, in some of the new buildings we are talking about that are now being constructed.

Mr. BOUTIN. There is no duplication between this $8½ million and the new buildings.

TEMPORARY SPACE

Senator MAGNUSON. No. These are only places where you have to remodel.

Mr. BOUTIN. Where we have to remodel.

Senator MAGNUSON. Which is the bulk of them.

Mr. BOUTIN. Or where we have to provide temporary space for the holding of court until we can build our new buildings.

Senator MAGNUSON. Since we have created these new judgeships, as they are located in places where we are going to build a building, we have put in the courtroom and the chambers.

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. In our public buildings program.

Mr. BOUTIN. That is correct, sir.

Senator MAGNUSON. I ask this personally because one of the judges, who will not be appointed until the first of the year, is in the State of Washington. What is the situation there on space?

Mr. BOUTIN. Mr. Schmidt.

Mr. SCHMIDT. I believe that is at Spokane, where we are trying to work out a temporary arrangement in the present building.

Senator MAGNUSON. If we work out the Spokane building you will probably work out quarters for this extra one.

Mr. BOUTIN. Permanent quarters.

Mr. SCHMIDT. That is correct. The permanent quarters in the new building.

Senator MAGNUSON. Permanent quarters.

Mr. BOUTIN. And that is specifically what this appropriation will do.

Senator MAGNUSON. Are there any questions on that?

Senator ALLOTT. No; I have a question on something going back.

Senator MAGNUSON. All right.

GREELEY, COLO., POST OFFICE

Senator ALLOTT. What is the status of the Greeley, Colo., post office matter? As you know, we have suggested that you dispose of this property and sell it on the market.

Mr. BOUTIN. Mr. Moody.

Mr. MOODY. I cannot tell you, but I will check it and tell you.

Senator ALLOTT. Will you check it and contact my office?

Mr. MOODY. I will be glad to.

Mr. BOUTIN. I will be very happy to, Senator. Perhaps we can get that before we leave here.

OPERATING EXPENSES, FEDERAL SUPPLY SERVICE

Senator MAGNUSON. The next item is "Operating expenses, Federal Supply Service."

The amount recommended for 1963 is $40 million, a reduction of $2,683,000 in the budget estimate. The amount for 1962 was $34,875,000, but the House consolidated into one item all supply activities which have been previously provided under two separate appropriation headings. That was the Federal Supply Service and what else?

Mr. TURPIN. There were two appropriations for the Federal Supply Service. The previous one was "Expenses, supply distribution."

Senator MAGNUSON. That is right.

Mr. TURPIN. And "Operating expenses" for the Federal Supply Service.

Senator MAGNUSON. Now they are all put together?

Mr. TURPIN. That's right.

Senator MAGNUSON. And, of course, the increase was because you people asked for the amount in ratio to the amount of the sales.

Mr. BOUTIN. That is correct.

TOTAL SALES

Senator MAGNUSON. That is what happens usually. And the total sales you estimate at about $1 billion in 1963 and warehouse sales will go to $258.5 million, and a total of $1,304,500,000 in procurement.

Mr. BOUTIN. That is correct. That is our total procurement.

REQUEST FOR FULL RESTORATION

Senator MAGNUSON. Yes. And that, of course, as we all know, goes up every year. The House gave you $40 million and you are suggesting how much more?

Mr. BOUTIN. A full restoration of the cut, Mr. Chairman, of $2,683,000.

RATIO OF COSTS TO SALES

Senator MAGNUSON. $2,683,000. We always ask this question: In relation to sales, is this percentage a reasonable one?

REDUCTION IN COST OF SALES

Mr. BOUTIN. Not only is it reasonable, Mr. Chairman, but we are able to consistently reduce our costs per $100 of sales. I would like to speak to this just briefly and then ask Mr. Bean to add to the testimony before the committee.

Senator MAGNUSON. Roughly, then, this would run around 4 percent, according to my figures?

Mr. BOUTIN. Less than 4 percent overall.

ADMINISTRATIVE COSTS

Senator MAGNUSON. Four percent roughly, administrative costs.

Senator ELLENDER. That does not include rentals, does it?

Mr. BOUTIN. This is an overall cost.

Senator ELLENDER. Do you own the buildings?

Mr. BOUTIN. We own in some instances and have to rent in others.

Senator ELLENDER. Is the rental cost included in this $40 million?

Mr. BOUTIN. Everything is included in our operations for Federal Supply in this item.

Senator MAGNUSON. Whatever that is, whether storage, rentals, sales, administrative functions—whatever it is?

Mr. BOUTIN. It is all included in there.

Senator MAGNUSON. Yes.

Mr. TURPIN. Everything is included in here except the cost of materials that are being distributed, which is included in the general supply fund which we talked about.

Senator MAGNUSON. Yes; and which we will come to.

Mr. TURPIN. Yes.

Senator MAGNUSON. Are there any questions on that?

COST UNDER SEPARATE AGENCY PURCHASING

Senator ELLENDER. Four percent. If you did not exist, that is, if this outfit did not exist, what do you figure the cost percentagewise on the total sales would be to the Government?

Mr. BOUTIN. It would be an educated guess, Senator, that at the very least you would be talking of somewhere between $10 and $15.

Senator ELLENDER. Per $100?

Mr. BOUTIN. If every Government agency were to maintain their own facilities, or go out to buy commercially, then you are talking about a whale of a lot more than that. The costs of total sales, including stores, nonstores, and schedule items, are running around $2.60, or somewhere in that area.

Mr. TURPIN. The cost for those items that are stored and redistributed—all costs in connection with that, run about $10 per hundred.

Mr. BOUTIN. Senator, we are talking about direct costs here. I take it from the Senator's question he is talking of the costs of payroll and items of this type.

Senator ELLENDER. Rents, and everything.

Mr. BOUTIN. If you include all expenses for stored items, everything in there, then you will be up to this figure of $10.22 in 1963, but you have to take into consideration the savings in our purchases, that is, the amount of reduction under the commercial price we are able to achieve by consolidated buying.

PURCHASES HANDLED BY GSA

Senator ELLENDER. What percentage of the purchases made by various agencies in the Government are handled by you?

Mr. BOUTIN. Including Department of Defense and research and development funds, and all types of procurement activities, for supplies or services, around 4 percent. Is that correct, Mr. Bean?

Mr. BEAN. That is correct, sir.

Senator ELLENDER. Four percent?

Mr. BOUTIN. Four percent. But we are growing.

Senator ELLENDER. I thought it was a good deal more than that.

Mr. BOUTIN. We are growing all the time, Senator, because we are handling additional items for the Department of Defense, and we have made very rapid strides in the last couple of years on the civil side of government.

PURCHASES ON OUTSIDE

Senator ELLENDER. Are there any departments of the Government that are purchasing, on the outside, goods that they cannot purchase from you?

Mr. BOUTIN. Mr. Bean, could you speak to that? If it is, it is very, very small.

Mr. BEAN. It would be a very small amount.

Mr. BOUTIN. Because the Federal procurement regulations say that all agencies of the Government are subject to this. The items anyone can buy without advertising, whether it be the General Services Administration or anyone else, are those items under $2,500. Then from $2,500 down to $1 the Federal procurement regulations prescribe how this purchase is to be made. So if you are talking in terms of buying at retail, you cannot determine an amount precisely, because it would be so small.

Senator ELLENDER. To what extent do you sell any of the goods you purchase, to PX's?

Mr. BOUTIN. Mr. Bean, will you speak to that?

Mr. BEAN. We do sell some items of supplies to nonappropriated funds, including PX's, but generally, nothing for resale.

Senator ELLENDER. Thank you.

PROCUREMENT RESPONSIBILITY FOR HAND TOOLS

Senator ALLOTT. Mr. Chairman.

Senator Saltonstall asked me to ask these questions: As you are well aware, the decision of the Department of Defense in November 1959 was to assign procurement responsibility for all hand tools used by the military services to the Military General Supply Agency in Richmond, under the cognizance of the Quartermaster Corps. This assignment was strongly protested by the hand tool industry. The industry

felt that this assignment would result in duplication of the responsibility of the General Services Administration, who were buying hand tools for the Air Force, as well as for all civil agencies of the Government.

It was further predicted that the handling of this tremendous responsibility by the Military General Supply Agency would ultimately result in chaos because of the lack of trained personnel and the Quartermaster's insufficient knowledge of hand tools.

Subsequent developments have proven that the apprehensions of industry were well founded; seeming abuses of procurement regulations, and, further, obviously haphazard administration of the program is prevalent.

I have some specific questions, the answers to which you may wish to submit for the record, if you cannot answer now.

WORLDWIDE PROCUREMENT

In a letter to Senator Saltonstall, dated May 1960, the former Administrator of General Services Administration, Mr. Floete, stated that given 90 days' prior notification, GSA could handle worldwide support to all military services for all items of hand tools currently being supplied to the Air Force.

ITEMS NOW GIVEN SERVICEWIDE SUPPORT

Could you tell us how many items of hand tools within that category are now being given servicewide support as a result of subsequent Department of Defense-General Services Administration agreements?

Mr. BOUTIN. We are prepared to talk to that this afternoon, Senator.

Mr. Bean, would you proceed?

Mr. BEAN. We have, as of June 30, 2,365 items, on which we serve the Air Force, and these same tools we buy for the single manager to store and distribute to the Army and Navy. This is different than the previous total, but we did at that time have 1,388. So this is about 1,000 more items since that time.

This is a category, however, that has not been thoroughly explored at this time. We have been operating on other items, and during this time we have taken from the Department of Defense a large number of items, in fact, up to the present time 20,000. But the hand tools category is still not resolved. There are in the Department of Defense tool program 50,000 items. However, the industry says there are only 5,000 common-use items.

ITEMS INCLUDED IN MOBILIZATION RESERVE STOCKS

Senator ALLOTT. Secondly, in a letter to Senator Saltonstall dated June 20, 1961, the Director of the Bureau of the Budget stated that of 1,910 hand-tool items carried in stock for other military services, 1,240 were items on which mobilization reserve stocks were necessary.

The letter also stated that these 1,240 items have been turned over to the General Services Administration for procurement and supply under an interim agreement which would continue until January 1, 1962, at which time the Department of Defense would decide where permanent procurement responsibility for these items would reside.

Has the Department of Defense to date notified the General Services Administration of their final decision in this matter?

Mr. BEAN. There has been no decision at this time and we are still buying the mobilization reserve items.

Senator ALLOTT. Has there been any discussion of when they may expect to reach a decision with you?

Mr. BEAN. No, sir; there has not been, because all of our time has been spent on other lines of merchandise.

PERCENTAGE OF ITEMS REJECTED

Senator ALLOTT. Thirdly, in that same letter it was stated that 8,415 items in all had been offered to GSA, but that after review of about 1,200 items it was agreed that GSA would assume responsibility for only 138 of them.

Can you tell this committee why such a large percentage of items offered were rejected by General Services Administration?

Mr. BEAN. Yes, sir. Of the 1,200 items there were 150 items that were already in our system. There was 170 items which they were going to discontinue. There were 320 items which were only represented by the manufacturer's name and part number. They had no specifications. For example, there had been XYZ company, No. 1, 2, 3, and 4, and we had no way of identifying this at all. These may have been a duplication of a regular Federal stock number. So when we go through the process of clarifying these things and eliminating duplications, that requires a lesser number of these items, we selected only 138, until additional data could be developed.

COORDINATION WITH DOD

Senator ALLOTT. Would you also comment on the extent of cooperation of the Defense General Supply Center, formerly the Military General Supply Agency, in Richmond, in working out a satisfactory agreement for greater utilization of GSA facilities in supplying hand tools to all the military services?

Mr. BEAN. As I said before, so far we have been working on other items, and there has been no change, particularly in the handtool situation.

REDUCTION IN NUMBER OF ITEMS

Mr. BOUTIN. I would like to add to this, Senator, if I might. We have had referred to us, so far as I understand it, about 197,000 items by the Department of Defense review. Many of these items are being taken out of both systems, because they are similar. We are trying to reduce the total number of items. For instance, you may have an ashtray, to use an example, and you may have nine descriptions for essentially the same item. These are being reduced and taken right out of the Government system. In other words, we are reviewing items constantly with them, either to be in our schedules, in our stores operation, or in our buying programs.

As far as handtools are concerned, while we are not in that area of negotiation right now, it is very evident from our discussions with the Air Force that the Department of Defense is going to look to us for a great deal of supply support in the entire handtool program. I would say we are within a year of being in that position, where

much of this will be handled by the General Services Administration. We are not in areas of disagreement with the Department of Defense, but are taking over things and cataloging them just as fast as capabilities permit.

NAVY RESPONSIBILITY FOR SPECIFICATIONS

Senator ALLOTT. Next, could you tell us, has the pending review of the present responsibility of the Navy for preparation of all Federal specifications and standards for handtools been completed, and, if so, will this responsibility be given to the single manager, DGSC, or GSA?

Mr. BEAN. At the present time we have several of the staff that was with the Navy preparing these specifications, and now we are preparing the specifications.

Senator ALLOTT. Then would GSA have sufficient experienced personnel to assume this responsibility?

Mr. BEAN. Yes, we do have.

Mr. BOUTIN. I think what the Senator is asking, Mr. Bean, is, Are we going to have a duplication with GSA and DSA handling the same program? I would say the answer to that is "No".

Mr. BEAN. That is correct.

Senator ALLOTT. I am also asking whether you have the personnel to handle these items on the return.

Mr. BOUTIN. Absolutely.

Mr. BEAN. Yes, sir.

Senator ALLOTT. Under your present budget?

Mr. BOUTIN. And the know-how to do it.

Senator ALLOTT. I think that completes Senator Saltonstall's questions.

Senator ELLENDER. I want to ask one more question, Mr. Chairman.

Senator MAGNUSON. Go ahead.

COSTS OF SALES

Senator ELLENDER. What is the size of the general supply funds?

Mr. BOUTIN. That is the general supply fund.

Senator ELLENDER. When you charge the Army or the Air Force a certain price for an item there is included the cost for handling it, this 4 percent. Am I right?

Mr. BOUTIN. Actually, Senator, I think it would be well to clarify that 4 percent at this time, because it is not clear on the record from the testimony I have given, and it is not even clear in my own mind how well I have testified to it. Actually on our store sales, our costs per $100 of depot operations are projected this year at $4.74. When you talk about other items, they are supplied either through our Federal supply schedules or direct delivery buying programs. So you have different cost factors altogether. All costs for direct delivery items would be $2.25, for schedule items, 19 cents. But the answer to your question specifically is "No", because the funds to operate this program are all provided by this appropriation. These are not recovered by going to Air Force, and so forth, for reimbursement of these costs.

SOURCE OF SAVINGS

Senator ELLENDER. I presume that the saving then comes from the fact that the Air Force and the Army would need less to buy those commodities than if they went to the open market for them. Is that right?

Mr. BOUTIN. The real savings come from centralized procurement, Senator, because volume buying enables us to get a terrific reduction in the cost.

Senator ELLENDER. Thank you.

Senator MAGNUSON. Are there any further questions on this item? All right.

GENERAL SUPPLY FUND

Next is the general supply fund. There $10 million is going to be all right for you?

Mr. BOUTIN. No, sir. We need $17 million, Mr. Chairman, because with the increased business we are doing we have to maintain adequate inventory to meet demand, and promptly pay our bills to get the discounts that go with prompt payment. We watch these discounts very carefully. Also, we have to have sufficient funds here to finance outbound transportation costs. You see now we are including this transportation as part of the catalog price of the stores items.

With these requirements, if we had a reduction of $7 million, it would be impossible for us to meet these responsibilities.

Senator MAGNUSON. You want a little more folding money. Is that it?

Mr. BOUTIN. Well, more authority is what we are actually looking for.

Senator MONRONEY. It is actually a revolving fund. You get it back but you have to have enough in your bank account to make the payment when it is due.

Mr. BOUTIN. Yes, sir.

Senator ELLENDER. Is this the total?

Senator MAGNUSON. No; it is just money they pay.

Senator ELLENDER. He says they have sold $1,250 million worth. Do you have that much turnover?

SALES

Mr. BOUTIN. That money includes Federal supply schedule sales. From our warehouses and depots actually we had $229.6 million worth of sales in 1962. Then we had sales of stores and nonstores items by direct delivery from the manufacturer that are in our total GSF sales of over $400 million for 1962. And then we have the sales also from the schedules, where we have no receivables involved at all—none at all. But our receivables right now are running around $80 million. We have to have cash on hand to pay our bills and maintain an inventory.

Senator ELLENDER. I am just wondering how you can have a turnover or balance, as you said. I may have misunderstood you a while ago, but you said your turnover is $1,250 million altogether, did you not?

Mr. BOUTIN. Everything all told. That is our total procurement.

Senator ELLENDER. That was what I am talking about.

Mr. BOUTIN. Yes, sir.

CAPITALIZATION OF FUND

Senator ELLENDER. How could you handle that with $17 million?

Mr. BOUTIN. No; it is an additional amount to what we have now.

Senator ELLENDER. Then your revolving fund is what now?

Mr. TURPIN. The total capital with the appropriation of this $17 million would be $162.3 million, of which $146.2 million would be appropriated. The other $16.1 million is donated assets.

Senator ELLENDER. Is what?

Mr. TURPIN. They are assets that have been donated.

Senator ELLENDER. By whom?

Mr. BOUTIN. For instance, like the Department of Defense in the items we have taken over. They will transfer the inventory of those items to us.

Senator ELLENDER. It is just a transfer from one pocket to another?

Mr. BOUTIN. That is right.

Senator ELLENDER. I was surprised. I wanted to know who Santa Claus was.

FOREIGN VERSUS DOMESTIC PROCUREMENT

Senator YOUNG. Can I ask a question?

In making purchases here, do you buy from foreign countries at any time?

Mr. BOUTIN. Under the Buy American Act, Senator Young, practically all of our procurement is domestic procurement.

Mr. Bean, what percent of it would be foreign?

Mr. BEAN. Less than 1 percent in fiscal year 1962.

Senator YOUNG. You buy America, regardless of the cost?

Mr. BOUTIN. No. We operate under the restrictions of the Buy American Act. What is the exact limitation, Mr. Bean? What are the percentages here?

Mr. BEAN. Six percent; however, if the domestic producer will manufacture the items in an area of substantial labor surplus, another 6 percent is added, making a total differential of 12 percent. So there is very little activity at all in foreign procurement.

Mr. BOUTIN. The American manufacturers have preference, a percentage preference in any event, under the law.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

FUND ADVANCES FROM OTHER AGENCIES

Mr. TURPIN. Could I say, even if this $7 million is restored and the full $17 million is appropriated in 1963 to handle our job, we will still have to rely on advances from these other agencies of $36 million. We think we can do that, but that is about as far as we can go. If we have to rely on advances, we run into the danger of being short of capital.

Senator MAGNUSON. How many of these agencies are deadbeats that you have to get after?

Senator ELLENDER. Santa Clauses, you mean.

Mr. TURPIN. This is just working capital advances they make to us to enable us to handle this operation.

Senator MAGNUSON. And who says they should start paying on time?

Senator ELLENDER. No. They pay in advance. That is really what happens to you.

Mr. TURPIN. On the accounts receivable we are having very good luck with the agencies paying promptly.

Mr. BOUTIN. This is reported on a day-to-day basis, Mr. Chairman.

OPERATING EXPENSES, UTILIZATION AND DISPOSAL SERVICE

Senator MAGNUSON. The next item is "Operating expenses, Utilization and Disposal Service." It is a new item. It provides for the General Services Administration with respect to excess and surplus real and personal property, for all utilization and disposal functions of the Administration. All costs are to be financed from the proceeds of sales, but you need a certain amount of money again to do this and keep it moving. Is that correct?

Mr. TURPIN. In this case, Mr. Chairman, it is authority. It is in effect a limitation item. It is authority to use up to this amount from proceeds.

Mr. BOUTIN. In other words, this entire operation is paid for.

Senator MAGNUSON. Is $8,500,000 enough?

Mr. TURPIN. Yes, sir.

Mr. BOUTIN. That is our feeling on it.

OPERATING EXPENSES, NATIONAL ARCHIVES AND RECORDS SERVICE

Senator MAGNUSON. All right. The next item is "Operating expenses, National Archives and Records Service." Management of the Government's archives and records and operation of Presidential libraries.

The House gave you $14,050,000, the same level as last year, except for minor increases requested for the Hoover and Eisenhower Libraries, but it is a $450,000 reduction in the budget estimate.

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. Why can't you get along on the $14,050,000?

Mr. BOUTIN. I have the Deputy Archivist of the United States here, Dr. Robert Bahmer, and I would like to have him speak to it.

Senator MAGNUSON. Surely.

DISPOSAL MICROFILMING PROGRAM

Mr. BAHMER. The cut of $450,000 by the House eliminated completely one item—our request to initiate a disposal microfilming program. We need to initiate this program for basically two reasons, the most important one of which is that space in the National Archives Building has been used up. The building, for all intents and purposes, is filled to capacity.

Not only this, but as you know the Government is creating records at a terrific rate each year. Probably between 3 and 4 million cubic feet each year. Even though only a small percentage of that amount, probably not over 1½ to 2 percent, have permanent historic value that deserve to be put in the National Archives, that is quite a sizable amount. It is probably 50,000 to 60,000 cubic feet every year.

We have already on hand 300,000 cubic feet of records that ought to be given archival storage—the optimum conditions for preserving records. We have to do something and we think that the initiation

of a disposal microfilming program, where we will film the records and throw the original paper records away, is at least the beginning of an answer, but it is not the entire answer. It is part of the answer to the problem.

We ask for this amount fully realizing that the kind of microfilming that we have to do is expensive. This is contrary to a lot of opinion that microfilming is a very cheap method of saving space. When you film permanent records and throw away the records and have to rely on the film to make copies—copies that the customers, the public, and Government agencies, need—you have to do a quality job, which costs us—and this figure was arrived at after a good deal of study—about $40 to $50 a cubic foot. So if we get the appropriation that we asked for here of $340,000, it will only take care of about 7,000 cubic feet, as compared with an annual increment of 50,000 to 60,000. This, we figured was a beginning and we asked for the program with the intent of initiating it on a half-year basis. We would expect, if this program were approved, that we would come back in future years for double that amount, or about three-quarters of a million each year.

This we arrived at because we figured it is the minimum that can be used if we are to obtain the advantages of large-scale operation in this field.

I might point out that the records that are not in National Archives which deserve to be given the proper kind of preservation and storage are largely those of the military agencies during World War II, the records of the Secretary of the Army and the Navy, and the headquarters operations—SHEAF, the Pacific Headquarters Operation. These are a distillation of probably 150,000 feet out of 10 million feet that were created by the armed services during the war. We have to make some provision for these records, and we feel now is the time to begin a disposal microfilming program.

RECORDS CENTER OPERATIONS

The second part of our request for restoration is the $110,000 for an increase in our records center operation. GSA operates 14 regional records centers and three annexes, each serving a particular geographical area. We have two national centers, one for the files of separated military personnel and the other for separated civilian personnel, both at St. Louis. The regional records centers started out from scratch 10 years ago, and together with the national centers now administer more than 7 million cubic feet of records.

That is a lot of paper. But you have to compare that with the 3½ to 4 million feet created each year. A lot of this total is disposed of each year, and many of the records that go to our centers, as distinct from those that go to National Archives, that are permanent in the archivistic sense, turn over rather quickly.

For instance, we just made an agreement with the Post Office Department in connection with the centralization of the General Accounting Office's audit of paid postal money orders, that we would take these right from the audit operation, so that they do not have to be filed in the General Accounting Office at all, but go right to the record center. When the program hits a peak there will be 1 million paid postal money orders moving every day from the General Ac-

counting Office to our center, where we can give cheaper storage both from the point of view of space and filing equipment. These money orders are retained only 2 years.

Many of the records that go to the center, however, are of long-term or almost of indefinite retention, not permanent archive material, but records that have to be kept for a long time, like Veterans' Administration claim files, immigration and naturalization files, corporation tax returns, and a host of others. Enough so that we do not get as much disposal each year out of our records centers as we take in. There is an overage every year. In a normal year we will have an increase of 200,000 feet in these centers.

NEED FOR ADDITIONAL FUNDS

To take care of this increase, even though our unit costs per cubic foot have decreased from $1.10, 10 years ago, to 56 cents now, we do need some additional money each year. The $110,000 provides for only six additional people, but we do need it for these jobs and for space and equipment. If we do not transfer these records out of agency custody it will cost the Government more money to house them and keep them.

Senator MAGNUSON. Are there any questions?

RECEIPTS FROM SALES OF COPIES

Senator ELLENDER. How much money do you collect for copies?

Mr. BAHMER. This is in the National Archives operation, where we sell copies of records to customers. We probably take in, in the neighborhood, all told, for all kinds of copies, $200,000 a year.

Senator ELLENDER. I thought you said more than that; $200,000?

Mr. BAHMER. Yes, sir.

RECORDS TO BE RETAINED

Senator COTTON. One question. Probably it will call for so long an answer that you can disregard it, but if it can be answered off the cuff, please do it.

How do you decide, and who decides, what records have historical value and should be preserved?

Mr. BAHMER. This is one of the toughest jobs that a professional archivist has. It is entrusted to the hands of our senior people who are trained in history, government, and research. Basically what we try to do is retain that very small volume of records—that core of the records—that documents a Government program; records at the policy formation level; records that indicate how the program was set up and how it was conducted. We feel it is our obligation to keep a record of what the Government has done, so that in the years to come the performance of institutions in our democratic Government can be evaluated.

Senator COTTON. You mean a century or two centuries from now, if we do not get bombed out, it will be essential that they be able to see how we set up the housing program, or the agriculture program in this century?

Mr. BAHMER. Senator, I would hope before that long there will be competent appraisal of programs such as these. Most of the records

we have, practically all that are transferred to the National Archives, certainly volumewise, are open to use. We perform thousands of services every week. We have a thousand customers every week who search and use these records.

Mr. BOUTIN. Veterans' records. That is a class of recordkeeping too.

Senator COTTON. Oh, I can understand that. In individual cases they want them.

Senator MAGNUSON. Land records, and those things, yes, but he is talking about other records.

Senator COTTON. I am talking about historical records and I am wondering if there is a mass of material. How is it determined? I cannot understand that.

Mr. BAHMER. This would require a considerable answer.

Senator COTTON. Then don't.

Mr. BAHMER. We have our guidelines and standards of selection which we have been tightening up in the last 10 years, to cut down the volume. Perhaps you can think of it in terms that we would like records of the decisions made by the Administrator of the General Services Administration because we feel these would represent what goes on in GSA.

Senator COTTON. Off the record.

(Discussion off the record.)

RECORDS OF CONFEDERATE VETERANS

Senator MAGNUSON. Are you through with the Confederate veterans?

Mr. BAHMER. No. We have filmed all of the records of individual service of Confederate soldiers. This was done, as you remember very well, because you initiated it.

Senator MAGNUSON. Yes.

Mr. BAHMER. Largely because of the requests from the Southern States, because they didn't have records of these individuals. Many of the States have purchased copies of these films, and are quite happy about it. But in cooperation with the Civil War Centennial Commission—and we are cooperating with them and will for the next 2 or 3 years; we are filming the Confederate as well as Union records—records, such as those of the Secretary of War of the Confederate government, and the Adjutant General, and other records. This will go on for 2 or 3 year.

I should point out, so that there will be no confusion, that this kind of microfilming we characterize as publication microfilming, because we are filming with no necessary intent to dispose of the original paper, but simply as a means of making copies that can be distributed to research institutions in the country.

PRESIDENTIAL LIBRARIES

Senator ALLOTT. I would like to know how much it costs us to maintain three Presidential libraries.

Mr. BAHMER. We are dedicating the Herbert Hoover Library tomorrow out at West Branch, Iowa, so probably we ought to speak of four, because we already have an investment in that institution. The total cost is $353,000 in 1963 for the four Presidential Libraries—Eisenhower, Truman, Roosevelt, Hoover.

USE MADE OF LIBRARIES

Senator ALLOTT. Do you have any figures on the usage of these libraries?

Mr. BAHMER. You mean research use made by scholars and students who come in?

Senator ALLOTT. Yes.

Mr. BAHMER. Yes, we have. It is estimated—this is just for the Roosevelt Library, but I can give it to you for each one—recent services will approximate 1,000 written inquiries a year; 7,000 items furnished to searchers and reproduction of about 13,000 pages of manuscript material. We have not opened up the papers in the Eisenhower Library. That was just dedicated on May 1.

Of course, the Hoover Library is just being set up and it will be some time before the papers are in use. The Truman Library—the reference service is about 900 written inquiries, about 5,000 items furnished to searchers, and reproduction of 9,000 pages of manuscripts.

To evaluate the purpose of the libraries, however, I think you should also consider their museum activity. We have in the neighborhood of almost half a million visitors to the Truman and Roosevelt Libraries, the two that are in full operation, so there is a service to the public at those institutions beyond the service on the presidential and other papers deposited in them.

Senator ELLENDER. Do you suppose anyone will ever go to visit the Republican ones?

Mr. BAHMER. Yes, indeed. A great number have already gone to visit them.

FEE FOR PUBLIC VISITORS

Senator MAGNUSON. Do any of them charge a minimum fee to go in?

Mr. BOUTIN. On fees, there is no fee for any except—is there still a fee for the Roosevelt one? We are negotiating with the Interior Department now about taking this library over as far as operation and so forth is concerned.

Mr. BAHMER. Yes; there is a fee for public visitors to the museum exhibit areas in the Roosevelt and Truman Libraries.

Mr. BOUTIN. How much is it?

Mr. BAHMER. Forty cents at the Roosevelt and fifty cents at the Truman Libraries.

Senator MAGNUSON. That is just because of the rise in the operating costs that there is a difference.

Mr. BAHMER. Yes.

TRUST FUND FOR LIBRARIES

Senator ELLENDER. What do you do with the receipts?

Mr. BAHMER. Those receipts go into a trust fund used in the activities of the libraries.

Senator ELLENDER. But you pay for the operation of the museum out of the sum $300,000 you are asking for this year?

Mr. BAHMER. Yes. The receipts from the visitors should be added if you are considering the full cost of the libraries.

FEDERAL MAINTENANCE

Senator ELLENDER. All of the buildings that house the books, and so forth, have been constructed——

Mr. BAHMER. And given to the U.S. Government along with the land and fixtures.

Senator ELLENDER. On condition that you manage them?

Mr. BAHMER. That is right.

Senator ELLENDER. How about maintenance?

Mr. BAHMER. Maintenance is performed for us by the Public Buildings Service, and the money for that is carried in the Public Buildings Service budget. The National Park Service maintains the Roosevelt Library.

Senator ELLENDER. That is another item then?

Mr. BAHMER. That is another.

Senator ELLENDER. What does that amount to?

Mr. BAHMER. I am speaking only of the professional staff.

Senator ELLENDER. In other words, this is our librarians and people that are in the libraries?

Mr. BAHMER. That is right. And museum people.

Senator ELLENDER. How much does it cost to maintain these buildings?

Mr. BOUTIN. We will have to furnish that for the record. We do not have that readily available.

(The information referred to follows:)

Annual cost of operating and maintaining the Presidential libraries

	Fiscal year		
	1961	1962	1963 estimate
Roosevelt Library, Hyde Park, N.Y.	(1)	(1)	(1)
Hoover Library, West Branch, Iowa		$33,095	$37,000
Truman Library, Independence, Mo.	$101,998	102,189	104,000
Eisenhower Library, Abilene, Kans.	12,427	43,451	56,000
Total	114,425	178,735	197,000

1 Operated by National Park Service.

OPERATING EXPENSES, TRANSPORTATION AND COMMUNICATIONS SERVICE

Senator MAGNUSON. Are there any further questions on that?

The next item we come to is "Operating expenses, Transportation and Communications Service." In that case the House gave you $4,097,000. This is a new service. This is to improve management of transportation, communications, and utility services for all civilian agencies. In 1962 you had $3,696,400.

UNIFIED TELECOMMUNICATION SYSTEM

There is an increase of $400,600 in 1963 for work related to the establishment of a new unified telecommunications system to be administered by General Services Administration to connect up some 8,000 Government offices in approximately 1,750 cities and towns in the 50 States and Puerto Rico and the Virgin Islands. The system is to be compatible with the Department of Defense communication systems.

By "compatible" you mean it does not duplicate the Department of Defense?

Mr. BOUTIN. It does not duplicate and works in harmony with.

Senator MAGNUSON. With them?

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. Is that the $400,000?

Mr. BOUTIN. To a large extent it is. I have with me Mr. Conrad, who is the new Commissioner, and I will be glad to introduce him to this committee and the chairman.

Senator MAGNUSON. What was the budget estimate on that?

ESTIMATE FOR NEW SYSTEM

Mr. BOUTIN. The budget estimate was $4,435,000. We are appealing the cut of $338,000. All of that, except for something like $62,000, is in the transportation area, and $62,000 of the cut is in the communications area.

NATIONWIDE COMMUNICATIONS SYSTEM

Senator MAGNUSON. So you will have a nationwide system for what you are going into?

Mr. BOUTIN. On which we estimate the entire Government will save about $15 million a year through centralized circuit procurement once it is established.

Senator MAGNUSON. Do you use the telephone companies?

Mr. CONRAD. Yes, sir.

Mr. BOUTIN. Right now on the first phase of this we have contracted with A.T. & T., which, at the time that the contract was made, was the only utility capable of furnishing this voice transmission service for the first, I believe, 42 communities.

Mr. CONRAD. That is correct.

Mr. BOUTIN. In major metropolitan areas.

SAVINGS ON TELEPHONE BILLS

Senator ELLENDER. Will that save telephone bills?

Mr. BOUTIN. It will save us about $15 million a year when it is completed, Senator, and will improve the service.

Senator ELLENDER. Will that be exclusive of lines to the Government and between their departments?

Mr. BOUTIN. No, sir. The savings will also apply to these lines.

Senator MAGNUSON. That will mean we could ultimately pick up that phone and talk to a Government office in Fargo, N. Dak.

Mr. BOUTIN. Any place in the United States, the Virgin Islands and Puerto Rico, and do it at a tremendous saving.

METHOD OF CALLING DISTANT POINTS

Senator MAGNUSON. Instead of calling the operator and putting a call in.

Senator ELLENDER. Just a code, like calling the White House, or Defense, or Agriculture.

Mr. BOUTIN. Yes.

Senator MAGNUSON. What kind of telephone book will you have to have for that?

Senator ELLENDER. You don't have to have a telephone book.

Senator MAGNUSON. Then whom do you get a hold of?

Senator ELLENDER. You just get a code number.

Senator MAGNUSON. But you will have thousands of code numbers.

Mr. BOUTIN. We will probably have a couple of thousand.

Mr. CONRAD. There will be a code number for each city and town.

Mr. BOUTIN. Much of this will be all satellites for the central board for the smaller communities surrounding a larger community.

Senator MAGNUSON. Yes. I see.

Senator ELLENDER. Are you talking about satellite communications?

Mr. BOUTIN. No. What I am talking about is smaller boards feeding into bigger boards from the satellite communities.

STRATEGIC AND CRITICAL MATERIALS

Senator MAGNUSON. The next item is "Strategic and critical materials." This is a very sensitive item.

Senator ELLENDER. What did you say it was?

Senator MAGNUSON. A sensitive item.

Senator ELLENDER. It certainly is. I wish Senator Symington were here.

ESTIMATE AND REQUESTED RESTORATION

Senator MAGNUSON. Maybe the Administrator could tell us briefly about this. What is included in the item and why? You have a budget estimate of $38 million, and the House report is how much?

Mr. BOUTIN. $18 million. We are asking for restoration of $14,735,000, or a total of $32,735,000.

Senator MAGNUSON. I suppose the committee would like to know what the $18 million is for, or what the restoration is for, or both.

Mr. BOUTIN. I would like to speak to one phase of this first, Mr. Chairman. The House committee has said in their opinion they feel instead of being from appropriated funds that this should be strictly from sales. It should not be appropriated. We find no fault with that at all and are in fact in harmony with it. As to the specific items, I have Mr. Connell here, who is Commissioner of Defense Materials. I would like to have him talk to it and I will be glad to add any information I can.

AMENDED REQUEST

Mr. CONNELL. Our amended request is $32,735,000. Item by item we have a new materials item that we are asking $1 million for. That would require us to run the jewel bearing plant for about $800,000. We have a carryover from chrysotile asbestos and diamond dies for which we would have to use some of that money. In the future we will get those from the barter program.

ROTATION OF MATERIALS

For the inventory management, on rotation of materials we are asking for $10 million to rotate fibers because in 1962 we——

Senator MAGNUSON. Let us keep this straight. You have $1 million for what you talked about?

Mr. CONNELL. Yes.

Mr. BOUTIN. For one item, jewel bearings.

Senator MAGNUSON. Jewel bearings?

Mr. CONNELL. Yes.

Senator MAGNUSON. Then $10 million for the rotation?

Mr. CONNELL. Yes, sir.

Senator MAGNUSON. Making $11 million.

Mr. CONNELL. Yes.

Senator MAGNUSON. Tell us about the rotation.

Mr. CONNELL. The rotation of fibers in 1962—we rotated more fibers then than we anticipated and to cut the budget a little bit we are going to 7- and 9-year fibers and rotating 37 million pounds. The net cost to the Government is $1,460,000 for that program.

Senator MAGNUSON. Senator Ellender.

Senator ELLENDER. When you say "rotate" you mean buy and replace?

Mr. BOUTIN. We buy new and sell what we have on hand.

Senator MAGNUSON. What do you mean by "net cost"? You mean when we rotate we spend $10 million to rotate and end up with $9 million worth of fibers?

Mr. CONNELL. No. We take the old fiber and sell it and replace it with new fiber in a formula, so the net cost to the Government is only $1,460,000.

Senator MAGNUSON. But you use the money you have to buy that material?

Mr. CONNELL. Yes.

Senator MAGNUSON. Why can't you just sell and they buy and have only $1 million?

SALES PROCEEDS COVERED INTO TREASURY

Mr. HARLAN. The law requires we return the proceeds of sales immediately to the Treasury. We have to proceed on that basis, therefore.

Senator MAGNUSON. What will you do with the $9 million?

Mr. BOUTIN. What happens here, Senator, is we are anticipating spending $10 million for the acquisition of new fibers, and are going to sell fibers we have on hand, with that money going back to the Treasury amounting to $8.5 million-plus, or a net cost of $1,460,000. Isn't that right, Mr. Connell?

Mr. CONNELL. Yes, sir. That is exactly right.

Senator ELLENDER. Suppose you do not need as much as you buy? That seems to be the trouble now. Why would you need to get more money in order to handle this?

Mr. CONNELL. We are not asking for more money, but only asking for the $10 million to rotate the 37 million pounds that we have slated for 7- and 9-year-old sisal, and it would ordinarily deteriorate——

Senator ELLENDER. It would cost $1,460,000 to do that?

Mr. CONNELL. Yes, sir.

Senator ELLENDER. Why can't you sell it on a permanent basis and forget about rotating it? Don't you have enough?

Mr. HARLAN. We are right on the level of the objective and have to rotate it merely to keep it fresh.

Mr. BOUTIN. If I might add here, Mr. Chairman, we do this under policy directives from the OEP. We have with us this afternoon a representative of that organization if the committee has any questions on matters of policy—Mr. William E. Lawrence.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

Senator MAGNUSON. On any sales of materials, I guess the law is you have to put all of that in the Treasury.

Mr. HARLAN. If we switch over so that instead of using appropriated funds we use the proceeds of sales, we will be using the proceeds.

Senator MAGNUSON. I guess in the long run it is in one pocket and out the other.

Mr. HARLAN. Yes.

Mr. CONNELL. I skipped an item, Mr. Chairman.

Senator MAGNUSON. What fibers are they?

Mr. CONNELL. Abaca and sisal.

Senator MAGNUSON. What are they used for?

Mr. CONNELL. The Navy uses it for rope.

Senator MAGNUSON. All right. That is $11 million.

UPGRADING MATERIALS

Mr. CONNELL. Yes, sir. I am sorry, but I skipped the item on upgrading. We have a directive from the Office of Emergency Planning to upgrade in the amount of $6,900,000, of which $5,165,000 is expected to be covered by utilizing surplus strategic materials. We are asking for $1,735,000 so that we have money for transportation and handling where we cannot work out the detail of the payment in kind, and we do not have money available to pay for the processing. It is a directive from the Office of Emergency Planning.

Senator MAGNUSON. What are you going to upgrade?

Mr. HARLAN. We are going to upgrade up to 100,000 pounds of tantalum metal to be made from tantalite-columbite ores concentrates, and that will roughly cost us $3.3 million. Then we are going to upgrade columbite-tantalite to columbium metal, 30,000 pounds. We are going to upgrade columbite-tantalite ores to columbium powder, 10,000 pounds; and tantalite-columbite ores and concentrates to tantalum powder, 15,000 pounds. We will upgrade 6,250,000 pounds of castor oil to sebacic acid—to make 2½ million pounds of sebacic acid. We are going to upgrade 1,685,000 ounces of raw gum opium to morphine and codeine.

Senator MAGNUSON. And what is the total of that now?

Mr. CONNELL. $6,900,000.

Senator MAGNUSON. After you upgrade these items, if you wanted to get rid of them, what would their value be by way of the costs in them? I mean, their value would be as great as what it costs us to upgrade them?

Mr. CONNELL. Yes, sir.

Senator MAGNUSON. And we have a better chance to store them and keep them, and do not have to go around and change them then?

Mr. CONNELL. And they are beneficiated material.

Mr. HARLAN. The overall increases a little bit.

Senator MAGNUSON. Is there any policy against doing that on some other metal? We have always had this argument here about chromium and magnesium. If you are going to do it to these items why wouldn't it be good business to do it for magnesium and chromium?

Mr. CONNELL. If we had a directive from the Office of Emergency Planning telling us to do that then we would concur in that directive and immediately proceed with it.

Mr. BOUTIN. The big problem here is it depends on what is in long and short supply, and OEP would make the determination there.

Senator ELLENDER. Can you explain what you mean by upgrading castor oil? What is it upgraded to?

Mr. HARLAN. Sebacic acid.

Senator ELLENDER. What is that?

Mr. HARLAN. A product from which nylon cord is made.

Senator ELLENDER. How do you proceed to do that? Do you get a manufacturer?

Mr. HARLAN. Yes, sir. We ship castor oil to the manufacturer and he converts it to sebacic acid, and we can pay the processing costs by shipping additional castor oil which is now in the stockpile.

PAYMENTS IN KIND

Senator MAGNUSON. This is what you mean by a payment in kind?

Mr. HARLAN. Exactly.

Senator MAGNUSON. But your policy of payment in kind has been limited to payment in kind of the product you have been working on.

Mr. CONNELL. It has been limited to DPA material. There is a question of technicalities as to whether we can do that. What we are asking for in our language is using SCM material as well as DPA material to pay for the upgrading.

Senator MAGNUSON. What I am pointing out is, why would it not be just as good to upgrade these things, and get them in better shape to be handled, which also gives them a better value and it costs less to store them and they are more readily available if something happens but supposing the fellow that did that wanted some other stuff you had in surplus? Maybe he did not want this additional castor oil? Why would it not be good business to say, "All right, we will give you the value in something else we have too much of in our stockpile."

Mr. BOUTIN. We are in complete harmony with what the chairman is saying. In fact, the Stockpiling Committee is working on it. I am a member of that committee and it is one of the areas we are giving a great deal of attention to. This is the committee of Senator Symington. Using materials, regardless of what materials they are. And it makes eminently good sense.

Senator MAGNUSON. It would help us to get rid of surpluses we might have to turn around and rotate, or else have to store; and, it gives more value for what we have that we will keep.

Mr. CONNELL. Yes, sir.

Senator MAGNUSON. And it will furnish a few jobs in the meantime.

Senator ELLENDER. Take the material you are upgrading. You mentioned various ones there. Is that to find a better use for them, or actual usages that are higher?

Mr. HARLAN. Basically, we stockpile basic raw material, but it has been determined certain quantities of that basic raw material during the first 6 months of an emergency period will be required in the higher forms of use. So, in order to stockpile manpower and time and everything like that, during the first 6 months, we are upgrading certain quantities of these materials in order that they can be moved directly to the factories without having to be processed first.

Senator ELLENDER. You say that you do this on orders of the——

Mr. HARLAN. Of OEP.

Senator ELLENDER. Of OEP.

Mr. HARLAN. They calculate the requirement.

Senator MONRONEY. But you can pay only kind for kind now. You cannot go out and take something which is surplus and pay for it.

Senator MAGNUSON. That is what they have been doing.

LIMITATION ON PAYMENTS IN OTHER MATERIALS

Senator MONRONEY. The limitations you are asking to be removed will allow you to do that? You say on that item we should remove the limitation to restore payment by material. Would this allow you to substitute other types of materials for the beneficiating of these items?

Mr. CONNELL. Yes, sir.

Senator MONRONEY. And that is why you want it removed?

Mr. CONNELL. Yes, sir.

Mr. BOUTIN. This specific language here. Yes, sir.

Senator MAGNUSON. Take chromium and magnesium. I understand we can probably make that up and have it in better shape and more available, but the people who might do it do not want particularly to get more chromium and magnesium, but want some other things.

Mr. CONNELL. They will take aluminum or copper.

Senator MAGNUSON. Yes. Something in excess supply.

Mr. BOUTIN. Once a determination is made of what the new objectives are going to be I feel sure from discussions already held, we will be looking to higher grades of products within the objective than has prevailed heretofore. We will be looking to upgraded materials which are readily usable.

Senator MAGNUSON. What is the next item? Does that conclude yours?

Mr. BOUTIN. I would like to add one thing.

Senator MAGNUSON. No, not the next item, but we have not finished his list yet.

INVENTORY MANAGEMENT

Mr. CONNELL. The next thing is inventory management where we are asking for $15 million, while the House reported $12 million. The items included in that are recurring costs of $9,763,000 nonrecurring costs of $2,117,000, which is special care and repackaging storage items, repair and improvements, $949,000 for relocation and $2,171,000 for disposal of materials, which is material handling and transportation, which would make a total of $15 million.

STORAGE COSTS

Senator MAGNUSON. And $12 million for storage costs and expenses.
Mr. CONNELL. Yes, sir; $12 million is for storage costs.
Senator MAGNUSON. How much of that is paid in plant storage?
Mr. BOUTIN. At the location where it is produced, Mr. Chairman.
Senator MAGNUSON. At the location?
Mr. CONNELL. I will get that figure for you.
Senator MAGNUSON. If you do not have it, put it in the record.
Mr. HARLAN. It is very small; $15,000.
Mr. CONNELL. A very small item.
Senator MAGNUSON. So you have it down quite a bit.
Mr. HARLAN. Yes, sir.
Senator MAGNUSON. It used to be a big item.
Mr. BOUTIN. Yes; most of it is.
Senator MAGNUSON. But that is all it is now?
Mr. BOUTIN. And I will state we are getting out of leased storage wherever we can.
Senator MAGNUSON. I want to compliment you for getting that down, because you pay a plant for storing things in its own yard, which we were going to use later, or where you were going to ask them to do something with it.

NIER MACHINES AND TOOLS

Now the national industrial equipment reserve. What is that?
Mr. CONNELL. The national industrial equipment reserve is the loan of machines under the directive of the Department of Defense to non-profit institutions. We are asking for $2 million for that.
Mr. BOUTIN. Actually the big amount there, is that on the NIER program it is a storage of machine tools in the national reserve in case of emergency, and includes operation of facilities, where it includes processing to keep these pieces of equipment in good condition so that they can be used immediately.
Mr. HARLAN. We have three big depots with 9,000 tools stored in them. They are tools the Department of Defense finds excess to its needs. They are not required for their own reserves, but are required for military backup purposes in the event of emergency. They turn them over to us and we put them in storage, and process them and keep them until they determine that we can use them now.
Senator ELLENDER. You say that is in excess of their needs?
Mr. HARLAN. Yes.
Senator ELLENDER. What do they consist of?
Mr. HARLAN. All types of general purpose tools. Drill presses, shear grinders, and all types of equipment.
Senator ELLENDER. How much have you on hand aside from that amount?
Mr. HARLAN. I think in the reserve they have somewhere in the neighborhood of 40,000 tools.
Mr. BOUTIN. This is all kept in dehumidified storage so you could move it out and operate it on a moment's notice.
Mr. CONNELL. We have 1,248 tools loaned out in addition.

REVIEW OF NEED AND USE OF TOOLS

Senator MAGNUSON. Who reviews that from year to year and determines what is obsolete and maybe we have never used?

Mr. CONNELL. The Department of Defense.

Senator MAGNUSON. Defense, and then they direct you?

Mr. CONNELL. Yes, sir.

Senator MAGNUSON. But they do review it?

Mr. CONNELL. Yes, sir.

Mr. BOUTIN. A lot of these are hard to get tools, too, Mr. Chairman, on the experience of World War II, tools that the industry just could not get that are foreign made, and so forth. We have many such tools.

Senator ELLENDER. These are surplus tools. You rent them to whom?

Mr. BOUTIN. We do not rent them to anyone.

Mr. CONNELL. We have a program whereby we release them to nonprofit educational institutions throughout the country.

Mr. BOUTIN. They are leased without cost.

Mr. CONNELL. To vocational schools.

Mr. BOUTIN. They are leased without cost.

Senator ELLENDER. What is the $2 million you are asking for?

Mr. CONNELL. Storage and preservation at Burlington, Dixon, and Marietta.

Senator ELLENDER. Not leased property.

Senator MAGNUSON. That is to keep them so when somebody wants them. I would think they would have to review that quite a bit.

Mr. CONNELL. Review it once a year.

Senator MAGNUSON. All right.

CHANGES IN APPROPRIATION LANGUAGE

We get back to the House report which says the committee has omitted language contained in the bill last year authorizing materials in the inventory to be used for payment in kind for expenses of beneficiating materials pending a decision on future policies relating to stockpile.

This is what you are talking about?

Mr. BOUTIN. Yes, sir; it is.

Senator MAGNUSON. On whether you can work this out?

Mr. BOUTIN. That is right.

Another language change, Mr. Chairman, I would like to get in. If you note on page 30 of the appeals document, striking out the words "during the current fiscal year," because unless we sold something July 1, we could not meet our payroll the first week in July. So, it would be on a continuing basis but still be completely out of proceeds.

Senator MAGNUSON. You suggest adding during the current fiscal year?

Mr. BOUTIN. No; striking it out, Mr. Chairman.

Senator MAGNUSON. Oh, strike that out?

Mr. BOUTIN. Yes.

Senator MAGNUSON. I see, all right.

Mr. BOUTIN. It is just a refinement to the language put in.

Senator MAGNUSON. All right.

SALARIES AND EXPENSES, OFFICE OF ADMINISTRATOR

Now, administrative operating funds, that is, "Salaries and expenses, Office of the Administrator." The bill gives you $1.3 million requested for policy direction, coordination, field legislative information, and business services. The amount in 1962 was $1,285,000.

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. That is sufficient, $1.3 million?

Mr. BOUTIN. It is sufficient, sir.

Senator ELLENDER. Mr. Chairman, could I go back?

Senator MAGNUSON. How much does that include, what we call it, now, interventors in public utility suits?

Mr. BOUTIN. That is not in that area at all, Mr. Chairman.

Senator MAGNUSON. It is not?

Mr. BOUTIN. We are not changing our requirements from what prevailed last year.

Senator MAGNUSON. They remain the same?

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. All right. We do not have to get into that this year.

Br. BOUTIN. No, sir.

Senator MAGNUSON. Whether we decrease it or increase it?

REDUCED AMOUNT FOR STRATEGIC MATERIALS

Senator ELLENDER. Mr. Chairman, may I ask a question in regard to the strategic materials?

Senator MAGNUSON. Yes.

Senator ELLENDER. Could you tell us in a nutshell why it is that the budget estimate was $38 million and you are asking for a reclaim of only $14,735,000?

Mr. CONNELL. Yes, sir. The reason we did was because we had rotated more than we anticipated in 1962. We reduced that when it came to this part of the budget. So with the 7- and 9-year-old rather than the 5-year-old fiber we reduced the amount. Because of the transfer of the cotton to the Department of Agriculture we reduced that amount by approximately the amount we will not spend on cotton in the ensuing year. That in a nutshell is what it is.

RUBBER PROGRAM

Senator HOLLAND. Mr. Chairman, may I ask a question?

Senator MAGNUSON. Sure.

Senator HOLLAND. I had not heard you mention rubber. What is the size of that? How much are you paying this coming year to keep it to date?

Mr. CASTO. We are keeping our rubber in fresh condition at the present time through a disposal program which the Congress authorized us to go into. We are presently working against a 470,000-long-ton authorization to dispose of and we have disposed of 150,000 long tons to date. We are keeping the stockpile 100-percent fresh through that disposal program. If there is a lot deteriorating, we move that lot out.

Senator HOLLAND. Is this natural rubber or synthetic?

Mr. CASTO. All natural.

Senator HOLLAND. All natural?

Mr. CASTO. Yes, sir.

Senator HOLLAND. What is the age to which you keep the natural rubber before you replace it?

Mr. CASTO. If we have it properly stored, and if we do not develop roof leaks, we figure on No. 1 ribbed smoked sheet, we can hold it for 20 years, No. 2 for 15 years, and No. 3 for 10.

Senator HOLLAND. Now, you are now in process of reducing the total stock you had piled up prior to congressional direction to reduce?

Mr. CASTO. Yes, sir; that is correct.

Senator HOLLAND. Thank you.

NEED OF FULL APPROPRIATIONS

Mr. BOUTIN. While the chairman is out, just for a moment for the benefit of the committee, one fact going along with my talk on Rolla is an indication of how badly we need our appropriation, our full appropriation on operating expenses, Federal Supply Service.

The President also approved for transmission to the Congress a supplemental appropriation request in the amount of $1,300,000 for this operation, so we are in dire need of these funds.

Senator YOUNG. I did not hear.

Mr. BOUTIN. $1,300,000 is coming up soon in a supplemental appropriation request for operating expenses, Federal Supply Service.

Senator YOUNG. $1,300,000 would be for operating this plant?

Mr. BOUTIN. No. Operating expenses for our Federal Supply Service. I was using this as an illustration of how badly we need the appropriation that we are asking this committee for.

JEWEL BEARINGS

Senator YOUNG. May I ask a question in this problem field?

Have you found a way to get these jewels into use—that is, used in construction of military materiel?

Mr. BOUTIN. Yes. The military contractors are securing the jewel bearings from the Rolla plant.

Senator YOUNG. For a long while the jewels have been stored away while we imported practically all of our needs.

Mr. BOUTIN. We are really moving on that, Senator.

Senator MAGNUSON. All right. We are through with salaries and expenses.

ALLOWANCE AND OFFICE FACILITIES FOR FORMER PRESIDENTS

Now, the next item is allowances and office facilities for former Presidents, $320,000, the budget estimate.

Mr. BOUTIN. No problem.

Senator MAGNUSON. That is for the three former Presidents and a widow of a former President.

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. That is the regular amount.

ADMINISTRATIVE OPERATIONS FUND

Then on the administrative operations fund, a limitation of $11 million is included for financial and legal service, administrative services in the program. This is the same as 1962. We will leave that alone.

Mr. BOUTIN. No, Senator.

Senator MAGNUSON. I thought you said you were going to leave that alone?

Mr. GRIFFIN. You were talking about representation activities. This is a little different.

Senator MAGNUSON. Legal services.

Mr. BOUTIN. Lawyers, financial service, our Compliance Division, our Personnel Division, all the support activities for all of the services. This is Mr. Turpin's shop, and we would be in bad shape if we didn't get this restored.

Senator MAGNUSON. What page is that on?

Mr. BOUTIN. Thirty-two, Mr. Chairman.

Senator YOUNG. Do you need it?

Mr. BOUTIN. Yes, sir.

Mr. TURPIN. Yes, sir.

The original estimate was related precisely to the programs reflected in our budget, and some of those programs, as you know, reflect sizable increases. The most significant one is in the supply area for the increased supply business.

All of this support, the accounting, personnel, legal, and related support for that program is provided from this fund.

Senator MAGNUSON. What was the budget estimate?

Mr. TURPIN. $12,131,000.

Senator MAGNUSON. OK.

Mr. TURPIN. Yes, sir.

And we have to have that increase in order to provide the staff services necessary for the program increases.

I might say that on this item we certainly strive to keep the cost at a minimum and in some areas they are lower than they should be.

One example is in personnel; we have one personnel person for every 176 employees in the agency as contrasted with a standard or limitation that is included in the legislation of 1 to 135.

Senator MAGNUSON. That still does not make it good.

Mr. TURPIN. No, sir. Only it is an indicator.

Senator MAGNUSON. You start to compare yourself with other departments you get into trouble with this committee. I want you to be better.

Mr. TURPIN. We want to be better, too, sir, but we must have the resources to properly discharge our responsibilities.

RETIREMENT SITUATION

Senator ELLENDER. How many of your people retire each year? Do you know?

Mr. BOUTIN. It is getting to a point, Senator——

Senator MAGNUSON. We have it down here. Where is it? We have it here. It is right here.

Senator ELLENDER. Get rid of the old people and do not hire new ones.

Senator MAGNUSON. We suggest you do not hire any new ones. We want you to try it out. You are in different categories here. You have quite a few of them. You have, in Public Building Service, 68 going out next year; Sites and Expenses, you have none; Federal

Supply, you have 17 going out; you have 1 in the Archives; you have 2 in Defense Materials; and in your main office, you have none.

That is all.

You have about 17 there and we are going to suggest something. He is going to suggest it. Go ahead.

You suggest what we would like for them to do.

Senator ELLENDER. Well, as I understand your program——

Senator MAGNUSON. First, read Parkinson's book on the law.

[Laughter.]

UTILIZATION OF EMPLOYEES

Senator ELLENDER. There is one question I would like to ask. You just gave me an idea here. You say you came in this year?

Mr. CONNELL. Yes, sir.

Senator ELLENDER. Who was your predecessor?

Mr. CONNELL. Harold Holtz.

Senator ELLENDER. What became of the secretaries and the people under him in his office?

Mr. CONNELL. We retained them.

Mr. BOUTIN. All of them.

Senator ELLENDER. Did you bring anybody in?

Mr. CONNELL. No; we didn't.

Senator ELLENDER. You didn't?

Mr. CONNELL. No, sir.

Senator ELLENDER. You are one of the few.

Mr. BOUTIN. The employment, in fact, in that Service is substantially less than it was a year and a half ago.

Senator ELLENDER. I am glad I asked the question, because a few here who we examined did state that they brought in their own secretaries and their own personnel, and when asked what became of those that were there before, they were not discharged. They could not be discharged because they were under civil service.

Mr. CONNELL. I did not bring any.

Senator ELLENDER. How about you?

Mr. BOUTIN. No. In my office I did not bring in one.

Senator ELLENDER. You kept all those there before the Republicans and Democrats?

Mr. BOUTIN. The secretary to Mr. Moore and Mr. Floete, before him, retired.

Senator ELLENDER. Yes.

Mr. BOUTIN. And my secretary, when I was a deputy, just moved over. Mr. Knott's secretary in the Public Buildings Service followed him when he was made Deputy Administrator.

Senator ELLENDER. You are not new in the office. You were there before.

Mr. GRIFFIN. Mr. Boutin was there.

Senator ELLENDER. I was talking about——

Mr. BOUTIN. I didn't bring anybody in. I used the girl that was there.

POLICY OF FILLING VACANT POSITIONS

Senator MAGNUSON. What the committee is suggesting, and it is just an idea so we can make some dent in this swell on employment figures, that when a person retires, say he is in the $16,000 category, you move

another fellow up naturally, but you then do not go down below and hire two at $8,000?

Mr. BOUTIN. Oh, no; we are very careful on that. The problem——

Senator MAGNUSON. Or you do not hire anybody. I am talking about the stable run-of-the-mill activities. There are new activities in which you must hire people, but it seems to me as Senator Allott so well pointed out, that some of the agencies can do what you know is done in many businesses. They use a retirement to close ground and reorganize and get along with one less person.

Mr. BOUTIN. I think we have done that in our own agency quite well.

Senator MAGNUSON. And no one is fired or anything, but you just keep closing in and if you do it for a while you find out you might get along just as well.

You cannot take a new shop. You have to hire people when you have a new job to do, but you do not when you have the run-of-the-mill average standard administration.

Mr. BOUTIN. I will tell you something else we have done, Mr. Chairman, which is an innovation, I believe, to the best of my knowledge. We created the concept of a manpower pool. For instance, if we have a requirement in Public Buildings Service and we have an overage some place else, we have an evaluation of that person's capabilities and rather than hiring somebody here and firing somebody there, we look at the possibility of moving them over.

Mr. Connell's shop is a good example, where we have substantially less employment now than we did a year ago because there are no requirements for these people now.

Senator MAGNUSON. Yes. You can do it in some divisions. Some you cannot. But somebody has to make a start here on this thing, or as Halaby said it has been his experience, once you hire somebody you never can get rid of them. So, you can use the other end to close ranks occasionally.

Mr. BOUTIN. Yes, sir.

PERSONNEL REQUIREMENTS

Senator MONRONEY. What is your increase, Mr. Boutin, in your personnel requirements for this year over last?

Mr. BOUTIN. Our personnel forecast; Mr. Turpin, I think, can present that precisely.

Senator MARNUSON. We have them all here for every agency, the numbers.

Mr. BOUTIN. The first thing I did as Administrator was to put on a manpower freeze and made a regulation for every single person brought on, that above a certain level, the Commissioners had to come in personally in my office and justify it, whether it was a grade 1 or grade 15. And our employment at the years end was substantially lower than the employment that was provided for in last year's budget.

Senator ALLOTT. Now, Mr. Boutin, on the figures that were supplied by your agency to this committee do not bear this out.

Mr. BOUTIN. Our overall figures are up, Senator, from a year ago.

Senator ALLOTT. Only in one agency, in one section, in Public

Buildings Service supervisory, you show a drop of from 517 to 513. You show a drop of one in sites and expenses and in every other category except for those five you show an increase.

I do not see how this is compatible with your statement.

Mr. BOUTIN. Mr. Connell, how many people do you have now as compared with a year ago.

Mr. CONNELL. We have 657 estimated on July 31. We would have 60 less had we not taken over the Marietta Depot, taken over as a Government operation, and saved $64,000 a year.

Senator ALLOTT. How many would you have less?

Mr. CONNELL. Sixty less.

Mr. BOUTIN. Right now the report given to me by personnel as of June 30, in his area shows he had 59 less people than a year ago.

Senator ALLOTT. What is your area?

Mr. CONNELL. Defense materials.

Mr. BOUTIN. 668 on June 30, 1961; 609 on June 30, 1962.

Senator ALLOTT. It was 543 last year, 603 today and these were prepared by our staff.

Senator MAGNUSON. Oh, no.

Senator ALLOTT. Yes.

Senator MAGNUSON. Yes; I see.

Senator ALLOTT. Procured by our staff from you.

Mr. BOUTIN. I do not see why they are not compatible. These are the personnel figures provided for me monthly.

For the end of the fiscal year, we show a drop of 59 in that area. We show a drop of 242 in Federal Supply.

Senator ALLOTT. Let us look at Federal Supply. Let me put these figures in the record.

Public Buildings Service shows 517 last year, 513 this year; Sites and Expenses shows 46 last year, 45 this year; Federal Supply Service 2,733 last year, 3,276 this year, which is over a 500 increase; Utilization and Disposal Service, 553 last year, 618 this year; National Archives 1,850 last year, 1,909 this year, an increase of 59; Transportation and Communication Service 325 last year, 373 this year, an increase of 48; Defense Materials Service from 543 last year to 603 this year; and Office of Administrator from 124 to 132.

These figures were given to——

Senator MAGNUSON. This is the average number, not the number of employees at the end of the year. That is the next column.

Senator ALLOTT. These are the average and number of employees.

Senator MAGNUSON. About the same.

Senator ALLOTT. At the end of the year, you have about the same experience. So I do not see where you can get that you have an overall reduction.

Mr. BOUTIN. No. Overall we do not have a reduction in 1963 from 1962. I did not mean to imply that.

What I was saying, Senator, is that in those areas where we could cut employment we have cut employment. In those areas like Federal Supply where we increased our business 25 percent, we have increased employment.

The reason we need this restoration of the House cut is because we have taken over new buildings and need additional people to man these buildings.

I am trying to say we are watching our personnel situation on a day-to-day basis very carefully.

Mr. TURPIN. Senator, it is significant, though, on these increases, they are not in the central office here in Washington. The principal increases are in the field locations.

Senator MAGNUSON. In 1961, you had 114; in 1962, 136; and in 1963; you have 137, about the same in the administrative office.

Mr. KNOTT. Yes.

Senator ALLOTT. I think the suggestion which was originally made by the Senator from Louisiana has a great deal of merit. That is if we watch these retirements and the attrition it makes is a good place to start cutting down and promoting people within your own agency who are able in accordance with civil service principles and then not to necessarily hire anyone new.

I would like to pursue two points.

ACTIVITIES IN RATEMAKING FIELD

Last year we went into the question of GSA's activities in the ratemaking field. Has that been cleared up? Have we had any kicks on it this year?

Mr. BOUTIN. We have not had one single complaint from any source. Depending on how you look at it, this can be good or bad. But, we neither let the bars down by neglecting to fulfill our statutory responsibility, nor have we gone out looking for trouble.

We have negotiated with carriers whenever possible and have substantial savings that we can point to. But, it has been conducted in such a way that I haven't heard a single complaint and the last year I heard many.

Senator MAGNUSON. And the amount is exactly the same that you had last year?

Mr. BOUTIN. Exactly.

Senator ALLOTT. You have not had another reorganization within your Department? It is the same organizational structure?

Mr. BOUTIN. Not exactly, because since a year ago, we have reorganized the whole transportation and communications service by creation of this service and the abolition of the old Transportation and Public Utility Service, and imbued it, I think, with a lot of vigor in the person of the new Commissioner. We have not had any trouble nor asking for any increased dollars for this function.

Senator ALLOTT. I am not concerned that you are not going to look after the Government's rate matters at all.

Mr. BOUTIN. We are watching carefully.

Senator ALLOTT. I was concerned the other way.

MOTOR POOL OPERATIONS

What about the motor pool. I drive down to work every morning, and I have a hard time threading my way among all the chauffeurs in Government cars that are coming down Rock Creek Park. How many cars are in the motor pool this year and how many were in last year, and so forth?

Mr. BOUTIN. Mr. Conrad can give the exact figures on it.

Mr. CONRAD. Actually, in motor vehicle fleet nationwide, Senator, we have 23,726 vehicles.

Mr. BOUTIN. What did you have last year?

Mr. CONRAD. Heretofore we had approximately 22,500.

Senator ALLOTT. So, you had an increase in a year of 1,226 cars.

Mr. CONRAD. This is attributable to the establishment of 6 additional pools in various parts of the country.

Mr. BOUTIN. They had taken all of the availables from other agencies and made 6 new pools.

Senator ALLOTT. Where were these 6 pools established?

Mr. CONRAD. Recently established pool in Anchorage. We recently established a pool in San Juan. This is during fiscal 1962. We also established one in Portland, Maine, in Cincinnati, Ohio, and in Mobile, Ala.

Mr. BOUTIN. And also Tucson, Ariz.

Mr. CONRAD. We established one in Tuscon. We also authorized the establishment of one very recently in Lansing.

Senator ALLOTT. How many cars have you in your motor pool in Washington today and how many a year ago?

TOTAL IN WASHINGTON MOTOR POOL

Mr. CONRAD. In the Washington pool, Senator, we have 1,118 sedans and light trucks.

Mr. BOUTIN. How many did you have a year ago?

Mr. CONRAD. I would have to supply the figure for 1 year ago for the Washington pool.

Mr. BOUTIN. Why don't you have Malcolm Miller call in now?

Isn't it true that the chauffeur-driven cars the Senator refers to, for the most part, are not GSA limousine cars?

Mr. CONRAD. No, sir; we do not provide chauffeurs.

Mr. BOUTIN. Those are not ours.

Senator ALLOTT. I thought you did provide chauffeurs for pool cars.

Mr. BOUTIN. No, sir.

Mr. GRIFFIN. No, sir. These drivers are within the respective using agencies authorized drivers.

Senator ALLOTT. Will you get the figure for me last year?

Mr. BOUTIN. On the Washington pool; yes, sir.

Senator ALLOTT. How many Cadillacs and Lincolns are included in this figure?

Mr. CONRAD. None purchased, sir.

Senator ALLOTT. None?

Mr. CONRAD. None, sir.

ASSIGNMENT AND USE OF VEHICLES

Senator ALLOTT. How many cars in this 1,118 are assigned to individuals?

Mr. CONRAD. To the best of my knowledge, there is not a one that is assigned to an individual, sir. These are all pool cars and are rotated among the agencies.

Senator ALLOTT. We have been through this year after year with the previous administration and this administration, where you say that they are not assigned. Yet I see the same cars and I have seen it time after time—go out and pick up the same man at his home every morning. These are from the pool, too, because they bear the interagency marking on the side.

Mr. CONRAD. Yes, sir.

Senator ALLOTT. They pick up the same man day after day at his house. Someday this committee is going to get real tough and hire itself about 10 good investigators for about 2 weeks and they are going to have somebody in that motor pool on the ropes. They may not be assigned on your books, but for the purposes of operation they are, and there is nothing political in this—I have talked about this for years. I objected to it in the previous administration. I object to it now. For the purposes of practical operation I believe that there are many people who actually have a car assigned to them here in the District.

ADMINISTRATOR'S AUTOMOBILE

Mr. BOUTIN. I can make one addition to the statement of the Commissioner. This motor vehicle activity has recently been transferred from Federal Supply Service into where it should have been right along, the Transporation Service. The car which is assigned to the office of the Administrator of GSA is a Cadillac, a 1958 to be exact, and I think that there are others assigned to the offices of heads of certain independent agencies, but these cars do not pick up, and are not supposed to pick up people at their homes, and bring them to work or to take them home.

A car is available to my office from the motor pool, for instance, to go about the business of the agency in Washington, but I drive myself in my own car and I drive home and everyone is supposed to do that. As I understand the law, only Cabinet members are exempt from the provision. They can have a car assigned to them and a car to pick them up and take them home and take them wherever they want to go. The White House is exempt from this regulation, but to the best of my knowledge, no one else is exempt.

Senator ELLENDER. How about the legislative branch?

Mr. BOUTIN. Pardon, sir.

Senator ELLENDER. How about the legislative branch?

Senator MAGNUSON. We handle that ourselves.

Mr. BOUTIN. We are exempt from that.

Senator ELLENDER. You said nobody else is exempt.

CHECK ON CAR USE

Mr. BOUTIN. I can tell you this, Senator, that right now I am going to have this looked into in the Washington situation. If we have interagency motor pool cars picking up anybody, we will make some changes there in personnel awfully fast, and, Mr. Commissioner, I expect you to follow that up.

Mr. CONRAD. Yes, sir.

Senator ALLOTT. I hope you will because I cannot think of anything that I think is worse and more flagrant in the operation of our Government than this situation. I personally feel, and I will make my feelings plain, that no Senator ought to be provided with a car, but there are a lot of people who have cars in this Government who should not. Someone suggested they are the cars of the agency.

Mr. BOUTIN. That is right.

Senator ALLOTT. Whether from the agency or the pool, I believe such use in this manner is undemocratic. I think it violates every principle of employment. The rest of us work actually for less money

than they do and when it comes down to net, and yet they are riding the streets in Government-owned cars. This is one thing I hope sometime we can get at and do something about.

AGENCIES USING CARS

Senator ELLENDER. Of the 1,100 cars you have in Washington, you said you had what other vehicles, trucks?

Mr. CONRAD. Pickup trucks.

Mr. BOUTIN. Sedans and light trucks.

Senator ELLENDER. How many of those are sedans approximately?

Mr. CONRAD. About 334, sir.

Senator ELLENDER. What agencies have use of those?

Mr. CONRAD. These are of varying age. We do have——

Senator ELLENDER. No. What agencies have use, can obtain the use of these cars?

Mr. CONRAD. Every Federal agency in Metropolitan Washington.

Senator ELLENDER. Even the Army, the Navy, the Air Force?

Mr. CONRAD. They do have their own vehicles, Senator, but I am referring particularly to the civilian agencies.

Senator MAGNUSON. Are there any further questions on that?

Mr. BOUTIN. I have the answer to that question—excuse me, Mr. Chairman.

Senator MAGNUSON. Quite well.

Mr. BOUTIN. At the end of fiscal 1961, Senator Allott, there were 1,073 and now there are 1,118. That is total units.

CARS USED IN LEGISLATIVE BRANCH

Senator ALLOTT. First of all, I should correct the record back there. I said I did not believe Senators should have cars. I do believe that the majority and minority leaders should have them.

Senator ELLENDER. They are not Senators. [Laughter.]

Senator ALLOTT. They have them. Let the record be corrected.

Senator MAGNUSON. There is a car assigned to the doctor. We have a car for the Architect.

Senator ELLENDER. I do not believe in that.

Senator MAGNUSON. There is a private car and chauffeur for the doctor, Architect, Sergeant at Arms, and Secretary.

Senator ELLENDER. Secretary.

Senator MAGNUSON. And the minority clerk and the majority clerk.

Senator ELLENDER. Yes. You know who gave it to them, don't you?

Senator MAGNUSON. We did.

Senator ELLENDER. Exactly, so.

Mr. BOUTIN. Our commissioners and so forth have no cars.

Senator MAGNUSON. Not this subcommittee, but another one.

MARKINGS ON VEHICLES

Senator ALLOTT. Are all your cars marked interagency on the doors like the ones I have seen?

Mr. BOUTIN. I do not know of a single exception to that.

Senator ALLOTT. They are supposed to be marked.

Mr. BOUTIN. Yes. That is true.

The Administrator, himself, can grant—and this is undelegated authority—can grant an exception.

Now, for instance, Internal Revenue investigators, and so on, we can grant an exception and have an unmarked car. But there are very very few in the overall system, nationwide.

Senator ALLOTT. Do you know what these cars are?

Mr. BOUTIN. Exactly. For instance, I know of one in New York that is an unmarked Plymouth and it is used where they do not want people to know who is there, for purposes of embarrassment and so forth.

LANGUAGE ON STOCKPILING

Senator MAGNUSON. I have one last question. This can be on the record, too.

The House language on the stockpiling in the report where they say they omitted the language of last year's bill and the language last year allowed us to make payment in kind. Do you recall that?

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. And they say that they eliminated that pending a decision on future policies relating to stockpiling. Now, supposing you come to a decision on this before we pass another bill, what position would you be in then to be able to pay in any kind?

Mr. BOUTIN. We would be stuck until we could get the language back in. I certainly would like to see the language restored. It can do no harm.

Senator MAGNUSON. It cannot do any harm because you are not going to use it any way until you make a decision. If you do in the interests of good economy and good sense make a decision, you ought to have this language so that you can proceed.

Mr. BOUTIN. I agree 100 percent, Mr. Chairman.

Senator MAGNUSON. Because there is not going to be any use of this, except the things you are doing, until you make this policy decision.

Mr. BOUTIN. That is correct.

Senator MAGNUSON. If you make it in an affirmative then you have to have some of this to work with.

Mr. BOUTIN. And we agree it should be restored.

Senator MAGNUSON. I have no further questions.

Senator HOLLAND. May I ask a question off the record.

(Discussion off the record.)

BUILDINGS OCCUPIED IN PAST YEAR

Senator HOLLAND. On the record.

I ask that a list be prepared and shown not as to the location of each building but as to the buildings by types which are new and had been taken over in this last year and which involve the necessary use of additional personnel and number of additional personnel that were involved in those added.

Mr. BOUTIN. Very happy to do that and as a part of that so the committee will have the full information, I do not think we should restrict it to Government-owned buildings, but leased facilities also where we furnish the services. That will give you the total picture.

(The information referred to follows:)

Buildings taken over or constructed during fiscal year 1962, involving additional operating and maintenance personnel

	Number of additional operating and maintenance personnel		
	Types of buildings		
	Office	Warehouse	Special use
GOVERNMENT OWNED			
Acquired by transfer:			
California; Bell, Cheli Air Force Base		13	
Illinois; Chicago, 1890 Pershing Rd			84
Louisiana; New Orleans, building 5, U.S.Q.S	3		
Maryland; Fort Meade (security guarding)	32		
Missouri; St. Louis, Mart Building	88		
New York; Brooklyn, Federal office building		150	
Washington; Auburn, regional headquarters	8	32	
Total acquired by transfer	131	195	84
New construction:			
Arizona; Phoenix, new Federal building	20		
Arkansas; Helena, post office and courthouse	4		
Little Rock, Federal office building	33		
California, Sacramento, courthouse and Federal office building	62		
Iowa; West Branch, Hoover Library			11
Kansas: Abilene, Eisenhower Library			8
Louisiana: New Orleans, post office, Federal office building and garage	78		
Massachusetts: Hingham, stores depot		6	
Missouri:			
St. Louis, new Federal building	45		
St. Louis, Federal Records Center		14	
New Mexico: Albuquerque, GSA stores depot		2	
North Dakota: Grand Forks, immigration station			2
Oklahoma: Oklahoma City, courthouse and Federal office building	20		
Texas: Houston, courthouse and Federal office building	32		
Virginia:			
Langley, CIA	432		
Portsmouth, Federal office building	26		
Richmond, Federal office building	49		
Washington, D.C.: Federal Office Building No. 6	86		
West Virginia:			
Charleston, Federal office building	19		
Martinsburg, Federal office building	7		
Parkersburg, Federal office building and courthouse	26		
Total new construction	939	22	21
Abandoned post offices:			
Alabama: Selma, Federal building	2		
Arizona: Flagstaff, old post office	2		
Arkansas: Jonesboro, courthouse and Federal office building	3		
California: Hanford, post office	1		
Colorado: Greeley, post office	2		
Kansas: Great Bend, Federal building	1		
Kentucky:			
Danville, Federal building	1		
Owensboro, Federal building	3		
New Mexico: Alamogordo, post office	1		
North Dakota: Minot, Federal building	3		
Oklahoma: Lawton, courthouse and Federal office building	2		
South Carolina: Greenville, post office and courthouse	6		
Tennessee: Maryville, Federal building	1		
Texas: Sherman, courthouse and Federal office building	2		
West Virginia:			
Berkley, old post office	2		
Moundsville, old post office	1		
Total abandoned post offices	33		
LEASED			
None			
Total	1,103	217	105
Grand total	1,425		

USE OF ARCHITECTS

Senator MAGNUSON. What will you have to do with any, with the new group of architects that were set up for the revitalization of, say, Pennsylvania Avenue?

Mr. BOUTIN. The only thing we will have to do with that—

Senator MAGNUSON. The north side.

Mr. BOUTIN. Yes. We will serve as consultants to the Planning Commission and therefor to the architects who will be studying this whole problem of the north side of Pennsylvania Avenue.

Senator MAGNUSON. This is the one that Paul Thiry is on.

Mr. BOUTIN. Yes, sir.

Senator MAGNUSON. Mr. Thiry also was quite concerned, the Secretary of Labor has set up some organization of architects to look at the Constitution Avenue side. I do not know whether this is informal or not.

Mr. BOUTIN. This I can speak to.

Senator MAGNUSON. You know what this is?

Mr. BOUTIN. Yes.

Senator MAGNUSON. It caused a little ripple between the professional sensitivity of architects for some reason.

Mr. BOUTIN. The Secretary of Labor being interested as he is in the beautification of Washington, in fact, did the same thing on Pennsylvania Avenue. I am not acquainted with this other one. I can presume it is the same thing—the Secretary had some architects that he knew come in and just on their own time and at no expense to the Government give some sketches of what might be possible.

Senator MAGNUSON. I think Paul Thiry was in that too.

Mr. BOUTIN. That is correct.

Senator MAGNUSON. He is a very top fine man. He is one. He is one of the top architects in the country.

Mr. BOUTIN. In fact, it was from these sketches that we based the whole study that went into the President's report.

Senator MAGNUSON. Yes.

One more thing. This is off the record.

(Discussion off the record.)

LANGUAGE ON FALLOUT SHELTERS

Senator MAGNUSON. Now, one last thing. The last section, section 303 in the bill, of course, the House put in no part of any provision contained in the act or any funds available for expenditure by any corporation or agency included in this act shall be used for the construction of fallout shelters unless specific projects have been authorized by appropriate committees of Congress.

What you are suggesting if we should make a decision on the fallout part of it, then we would have to change that language, strike the language included in this act in Government owned or leased buildings except where specially provided.

Mr. BOUTIN. I understand, Senator——

Senator MAGNUSON. Do you have a suggested amendment?

Mr. BOUTIN (continuing). That there has been a suggested amendment made by the Office of Civil Defense over in DOD for substitute language.

Senator MAGNUSON. All right. We will look at the bill then on that because that will have to be changed.

Senator ALLOTT. Are you going to supply us with the amendment?

Mr. BOUTIN. OCD will provide it.

Senator MAGNUSON. All right.

Mr. BOUTIN. If they do not, we certainly will.

Senator MAGNUSON. All right. If there is nothing further, thank you very much, gentlemen.

Mr. BOUTIN. Thank you very much, Mr. Chairman and members of the committee.

HOUSING AND HOME FINANCE AGENCY

STATEMENT OF ROBERT C. WEAVER, ADMINISTRATOR; ACCOMPANIED BY MILTON P. SEMER, AGENCY GENERAL COUNSEL; JOHN M. FRANTZ, AGENCY BUDGET OFFICER; SIDNEY H. WOOLNER, COMMISSIONER, COMMUNITY FACILITIES ADMINISTRATION; HOWARD J. WHARTON, ACTING COMMISSIONER, URBAN RENEWAL ADMINISTRATION; NEAL J. HARDY, COMMISSIONER, FEDERAL HOUSING ADMINISTRATION; MARIE C. McGUIRE, COMMISSIONER, PUBLIC HOUSING ADMINISTRATION; AND J. STANLEY BAUGHMAN, PRESIDENT, FEDERAL NATIONAL MORTGAGE ASSOCIATION

LETTER FROM AGENCY

Senator MAGNUSON. Housing and Home Finance is next. We will begin and go as long as we can tonight. We may have some votes on the floor, but we will go as far as we can.

We will put your letter in the record in full, and you have a statement. The justification is there as all committee members have it. And we will start with each item and go down the list, and I would suggest, Doctor, that we put your statement in the record in full and then you can follow through item by item, but cover it all.

(The information referred to follows:)

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., August 2, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: This is in response to your letter of July 27, 1962, with respect to the forthcoming hearings by your committee in connection with the independent offices appropriation bill for 1963, H.R. 12711.

We respectfully request the privilege of appearing before your committee in connection with several amendments which we will recommend that your committee propose in the bill as passed by the House. The suggested amendments are briefly identified in the enclosed reference list; the justifications will be forwarded to the committee staff early next week.

When we appear before the committee, we shall, of course, be happy to discuss any matters connected with the fiscal 1963 budget program of the Agency, regardless of whether they are specifically involved in the recommended amendments.

Sincerely yours,

ROBERT C. WEAVER, *Administrator.*

Summary of proposed amendments to the independent offices appropriation bill, 1963 (H.R. 12711, H. Rept. 2050)

Amendments	Union Calendar bill		Increase requested
	Page No.	Line No.	
TITLE I			
Office of the Administrator:			
Salaries and expenses	30	14	$920,000.
Urban studies and housing research, program appropriation	31	23	$1,075,000.
Housing for the elderly fund, expense limitation	33	18	Strike proviso.
Public Housing Administration: Administrative expenses	34	5	$391,000.
TITLE II			
Office of the Administrator:			
Housing for the elderly, administrative expenses	51	[1] 16	Insert language; increase limitation by $136,000.
Public facility loans, administrative expenses	51	19	$100,000.
Federal Housing Administration:			
Administrative expenses	53	24	$1,300,000.
Nonadministrative expenses	54	10	$5,500,000.
Public Housing Administration: Nonadministrative expenses	55	15	$290,000.

[1] After line 16.

Mr. WEAVER. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, once more, let me express appreciation for this opportunity to present to your committee our views concerning the budget requirements of the Housing and Home Finance Agency for the fiscal year 1963, as well as our recommendations concerning amendments which we hope this committee will consider in connection with H.R. 12711 as the bill was passed by the House of Representatives.

In total, the House reduced the budget requests of HHFA by almost $54 million. We have reviewed these reductions carefully, and have tried to be responsive to the problems facing the Appropriations Committees and the Congress. Accordingly, we are recommending to you that some 82 percent of these reductions in total—or $44 million—be allowed to stand—in other words, we are not asking that you restore these amounts to the bill.

With regard to the other 18 percent, or $9.7 million in round numbers, we respectfully request that you consider amendments which we have proposed increasing the amounts involved—although where possible we are proposing figures which are somewhat below the original budget estimates, based on experience since the budget was submitted last January. I have with me a table which shows the detail of these figures, which you may wish to include in the record.

Senator MAGNUSON. That may go in the record.

(The information referred to follows:)

Summary of House reductions accepted and Senate amendments requested, fiscal year 1963 budget program

OPERATING EXPENSES

	Budget estimate	House action	Reduction	Reductions accepted	Senate amendments requested
Office of the Administrator:					
Salaries and expenses	[1] $15,420,000	$14,500,000	$920,000		$920,000
Nonadministrative expenses	3,500,000	3,250,000	250,000	$250,000	
Urban transportation activities	250,000	200,000	50,000	50,000	
Open space land program	320,000	250,000	70,000	70,000	
Low-income housing demonstrations	50,000	40,000	10,000	10,000	
Defense planning activities	250,000		250,000	250,000	
Housing for the elderly	1,000,000	714,000	286,000	150,000	136,000
College housing loans	1,900,000	1,800,000	100,000	100,000	
Public facility loans	1,200,000	1,100,000	100,000		100,000
Revolving fund (liquidation programs)	145,000	145,000			
Federal Housing Administration:					
Administrative expenses	10,800,000	9,500,000	1,300,000		1,300,000
Nonadministrative expenses	71,400,000	62,000,000	9,400,000	3,900,000	5,500,000
Public Housing Administration:					
Administrative expenses	14,750,000	14,359,000	391,000		391,000
Nonadministrative expenses	1,490,000	1,200,000	290,000		290,000
Federal National Mortgage Association: Administrative expenses	8,750,000	8,250,000	500,000	500,000	
Subtotal			13,917,000	5,280,000	8,637,000

PROGRAM FUNDS

Urban planning grants	$20,000,000	$18,000,000	$2,000,000	$2,000,000	
Urban studies and housing research	1,450,000	375,000	1,075,000		$1,075,000
Mass transportation loans and grants	[2] 32,657,500	32,300,000	357,500	357,500	
Open space land grants	[2] 15,110,000	14,750,000	360,000	360,000	
Low-income housing demonstration grants	[2] 3,020,000	2,960,000	60,000	60,000	
Public works planning fund	13,000,000	12,000,000	1,000,000	1,000,000	
Urban renewal fund	330,000,000	300,000,000	30,000,000	30,000,000	
Housing for the elderly	45,000,000	45,000,000			
Annual contributions, Public Housing Administration	185,000,000	180,000,000	5,000,000	5,000,000	
Subtotal			39,852,500	38,777,500	1,075,000
Total			53,769,500	44,057,500	9,712,000

See footnotes at end of table, p. 742.

Summary of House reductions accepted and Senate amendments requested, fiscal year 1963 budget program—Continued

RECAPITULATION

Reductions	Amount	Percent
Accepted	$44,057,500	82
Appealed	9,712,000	18
Total	53,769,500	100

[1] Adjusted for comparability with coverage of appropriation item in House report and bill.

[2] Budget estimate reflects net grant or loan commitments proposed to be made against contract and borrowing authority, compared with House action which replaced contract and borrowing authority with appropriations.

Source: Division of Budget and Management, Office of the Administrator, Aug. 3, 1962.

GENERAL STATEMENT

Mr. WEAVER. The constituent Commissioners are here with me, and we are prepared to be of as much help to your committee as we can, both in connection with these proposed amendments and with any other matters in our budget about which you may wish to inquire.

Mr. Chairman, I think it would impose on your time for me to read a lengthy statement of the problems involved in this bill. Instead, I have prepared a paragraph or two of introductory remarks on each amendment we suggest in the order in which they appear in the bill, in the thought that it might serve your convenience and help make an orderly record if I read those individually as the items are reached.

SALARIES AND EXPENSES, OFFICE OF THE ADMINISTRATOR

Senator MAGNUSON. That will be fine. Now, for the purpose of the record, in the Office of the Administrator, we will take salaries and expenses. In 1962, your appropriations were $13,050,000. Your budget estimate for 1963 was $15,720,000. The House gave you $14,500,000—an increase of $1,450,000 over last year but a minus $1,220,000 from the 1963 estimates and your suggestion is that we consider putting back in the bill for this particular item $920,000.

Mr. WEAVER. That is correct. These figures may be confusing, so I would like to offer this reconciliation table for the record. You see, two of the items requested under "Salaries and expenses" in the budget have been provided for elsewhere in the bill; so we are asking for restoration of only the net amount of $920,000.

Senator MAGNUSON. Well, that should help to clarify the record and the reported will insert the table at this point.

(The information referred to follows:)

Salaries and expenses—Comparison of fiscal year 1936 estimates in budget and House bill

	Estimate in 1963 budget	Activities provided for elsewhere in bill	Estimate as proposed to Senate committee
General agency supervision	$1,700,000		$1,700,000
Consolidated compliance activities	765,000		765,000
Voluntary home mortgage credit	225,000		225,000
Low-income housing demonstrations	50,000	$50,000	
Defense planning activities	250,000	250,000	
Public works planning advances	850,000		850,000
Urban renewal program	11,880,000		11,880,000
Total, salaries and expenses	15,720,000	300,000	15,420,000
House action	14,500,000		14,500,000
Difference	1,220,000		920,000

RESTORATION REQUEST

Senator MAGNUSON. All right. Address yourself to your first amendment.

Mr. WEAVER. Yes, sir. This proposed amendment, Mr. Chairman, deals with the appropriation for salaries and expenses, Office of the Administrator. Here we urge that you increase the House figure of $14,500,000 to $15,420,000. This is actually the same amount as the original budget estimate, when you eliminate the amounts requested

for administering low-income housing demonstration grants and for defenes planning activities, which the House has included in other items in the bill.

While this single appropriation covers five major programs, there were only two in which we asked for any significant staff increase next year. These two are the urban renewal programs and the program of public works advance planning. The House report appears to express the intention that four of these five programs should continue next year at their present staffing levels, while 65 additional positions were allowed for urban renewal. In total, the House reduced our budget request by 107 positions and $920,000.

URBAN RENEWAL ACTIVITIES

For our urban renewal activities—which include assistance in metropolitan and urban area planning—we requested an increase of 165 positions for the fiscal year which has now begun. As the committee knows, in the Housing Act of 1961, the Congress doubled the urban renewal program under title I of the Housing Act of 1949—raising the authorization from $2 to $4 billion. The wise and prudent spending of such a sum of money to achieve the purposes intended by Congress with full protection of the public interest is truly a prodigious task. If the Congress grants the increase of 165 positions we have recommended, there would still be, at the end of this fiscal year, only 1,280 administrative employees planning, directing, and supervising this vast program which already involves more than 900 projects in about 600 communities. Last year alone we approved new capital grant reservations amounting to nearly $740 million—and almost as much will be approved during this year. Thus, the total administrative budget we have proposed to the Congress is well under one-half of 1 percent of the Federal grant money which will ultimately be spent on projects thus far approved.

I want to make it clear that it is our policy to keep employment at the Federal level in this program as low as we reasonably can. We are not trying to duplicate what the local communities do, or to do their work for them. But we cannot disregard or take lightly the responsibilities vested by law in us for the custody and proper expenditure of such large Federal sums.

METROPOLITAN URBAN AREA PLANNING

With regard to grants for comprehensive metropolitan and urban area planning assistance, I would call attention to the fact that since this program was expanded and liberalized, during the fiscal year just ended, we committed some $18 million in grant funds and the House has approved a similar amount for this year in the present bill. This is some six to eight times the program level only 2 or 3 years ago. While this is obviously a far smaller program financially than title I, it is one that requires the highest degree of competence and skill in administration. I feel certain that everyone at this table is acutely aware of how difficult and complex are the problems of any kind of really comprehensive planning in our rapidly growing and changing urban areas.

ADDITIONAL POSITIONS

Considering the magnitude of the responsibilities we have been given, and the rate at which our workload is growing, I sincerely feel that our request for 165 additional positions for fiscal year 1963 is modest and reasonable. I ask the committee to bear in mind also that most of these jobs will go into our seven regional offices, so that what we are requesting is 20-odd jobs each for the 7 offices handling the very large programs I have described.

Senator MAGNUSON. Now, right there, of the programs that you are speaking of there, one is the urban renewal activity?

Mr. FRANTZ. That is one part of it.

Mr. WEAVER. Yes, sir.

Senator MAGNUSON. One part.

What is the second part?

Senator MAGNUSON. That is for metropolitan urban area planning?

Senator MAGNUSON. The planning?

Mr. WEAVER. Comprehensive planning.

Senator MAGNUSON. That is in——

Mr. WEAVER. Urban renewal also; yes.

Senator MAGNUSON. That is for metropolitan urban area planning?

Mr. WEAVER. Yes, sir.

Senator MAGNUSON. All right.

PUBLIC WORKS ADVANCE PLANNING

Mr. WEAVER. With respect to the program of public works advance planning, we requested in the budget an increase of only seven positions, despite the fact that we projected a very substantial increase in the amount of money which would be used to make these planning advances to local public bodies. Last year we approved advances totaling a little less than $11 million. This year, with the appropriation approved by the House, and the use of repayments of old advances, we expect to approve about $19 million—not quite double last year's amount.

Senator MAGNUSON. Now, doctor, is that program still primarily directed by the applications you receive to the small communities?

Mr. WEAVER. Yes, sir. Mr. Woolner, do you want to comment?

Senator MAGNUSON. What is the percentage now, Mr. Woolner?

Mr. WEAVER. This is Mr. Woolner, Commissioner of Community Facilities.

Mr. WOOLNER. Give me a couple minutes to look it up, Mr. Chairman.

Senator MAGNUSON. Generally speaking, the applications are still coming, are they not—the great bulk of them, from the small places?

Mr. WOOLNER. They are. This is the tabulation of all applications through November 30, 1961. Almost 40 percent of these come from communities under 5,000 persons.

Senator MAGNUSON. Five thousand?

Mr. WOOLNER. Yes, sir.

Senator MAGNUSON. And then the rest of them come from communities, I would think, well, not over 12,000 or 15,000.

Mr. WOOLNER. In a group of 5,000 to 10,000, another 15 percent, so that 55 percent are under 10,000, with another, roughly, 25 percent in

the 10,000-to-50,000 catgeory. About the balance of that, then, is from 50,000 and up.

Senator ALLOTT. They have 80 percent under 50,000?

Mr. WEAVER. Yes, sir.

Senator MAGNUSON. And half of that is under 5,000?

Mr. WOOLNER. Yes.

Senator MAGNUSON. When you say that you are going to approve about $19 million, that is your estimate, because you are getting back now some of the advances you made.

Mr. WEAVER. Into the revolving fund; yes, sir.

Senator MAGNUSON. In other words, they now started these smaller communities to go ahead with their work, sell their bonds, and get going and they are starting to reimburse you?

Mr. WOOLNER. That is correct.

ESTIMATED REPAYMENTS FOR 1963

Senator MAGNUSON. In this program.

Mr. WOOLNER. Some $7 million is estimated in repayments for fiscal year 1963.

Senator MAGNUSON. OK.

Senator ALLOTT. May I ask what that statement means? You mean you had $7 million or it is estimated you will have $7 million?

Mr. WOOLNER. It is estimated in the coming year we will get $7 million back in repayments.

Senator MAGNUSON. All right.

Mr. WEAVER. Shall I proceed?

Senator MAGNUSON. Go right ahead.

Mr. WEAVER. The reason that our original request for increased personnel was no larger in the budget—considering such an increase in the basic program—was that we believed, at the time the estimates were made last winter, that there was a trend toward substantially larger projects and larger advances in individual cases. In other words, we expected a substantial increase in the amount of money which would be committed under the program, with but a relatively small increase in the number of individual cases handled. Commissioner Woolner can give you additional details, but let me say in general that this has happened to some extent as we projected but not nearly to the full extent that we projected. Applications coming in are for somewhat larger amounts, but there are also more of them. All the evidence we have before us today would indicate that during this year there will be ample demand for the funds which the House has proposed be made available. The administrative caseload, however, will be even greater than we anticipated. Thus, the need for the few additional people requested in the budget appears even more urgent now than we supposed at the time it was originally submitted.

ADDITIONAL POSITIONS

I respectfully request and urge that your committee in its action on this bill allow for this appropriation the full increase of 173 positions which were included in our budget, together with an increase of $920,000, which is, in our judgment, the amount needed to employ these additional people and to provide for the staff level at the end of the fiscal year 1962.

Senator MAGNUSON. All right.

Are there any questions of the committee on that item?

Senator ALLOTT. No.

I think, Mr. Chairman, we ought to put these figures on the number of employees in here somewhere.

Senator MAGNUSON. All right. Put them in the record.

(The information requested appears in the material inserted at p. 749.)

Senator MAGNUSON. Have you any questions, Senator Ellender, on this item?

Senator ELLENDER. No.

Senator MAGNUSON. I think a general observation should be made here. It appears that these communities are really taking advantage of this community planning; are they not?

Mr. WOOLNER. They certainly are. We have currently some $12 million in applications, Senator.

Senator MAGNUSON. Yes.

Mr. WOOLNER. There is no question about the inerest in it.

AMENDMENTS REQUESTED

Senator MAGNUSON. For the record on salaries and expenses, we should have the text of the amendment requested and the justification therefor, identified as section A in your book.

(The information referred to follows:)

HOUSING AND HOME FINANCE AGENCY

OFFICE OF THE ADMINISTRATOR

SALARIES AND EXPENSES

Estimate, $15,720,000. Proposed by committee, $14,500,000. In act, $14,500,000

(House hearings, pt. 2, pp. 1032–1127)

Page 30, line 14, strike out "$14,500,000" and insert in lieu thereof "$15,420,000," $300,000 less than the estimate, and an increase of $920,000 above the amount allowed by the House committee.

HOUSE REPORT

(Pertinent excerpts, H. Rept. No. 2050, p. 13)

"*Salaries and expenses, Office of the Administrator.*—The bill contains $14,500,000 for administrative expenses of five programs and activities in the Office of the Administrator. This is an increase of $1,450,000 over the current appropriation but a decrease of $1,220,000 in the request. The amount recommended provides 1,510 jobs on a full annual basis with all expenses. The 65 new positions provided after deducting 18 for defense planning activities and 4 for low-income housing demonstration activities are for administering urban renewal programs.

"The budget for this agency and certain others in the bill contain sizable increases to annualize activities accelerated during fiscal year 1962 with increased appropriations. Only a portion of the cost of such new positions was justified and included in the budget last year. Annualization costs of new positions is viewed with great skepticism and for good reason. All new positions authorized by the committee for this agency and other agencies in the bill are on a full annual basis with all expenses, and are not to be annualized in 1964."

JUSTIFICATION

1963 budget estimate	$15,720,000
Programs or activities provided for elsewhere in the committee bill:	
Defense planning activities	250,000
Low-income housing demonstrations	50,000
Total	300,000
Adjusted appropriation request	15,420,000
In act as passed House	14,500,000
Restoration requested	920,000

The budget presented to the Congress requested an appropriation of $15,720,000 to provide for the administrative expenses of seven programs or activities; two of these would be provided for separately under the bill as passed by the House. The Agency requests restoration of $920,000 to provide the budget estimate in the remaining five programs, as follows:

	June 30 employment	1963 obligations
General agency supervision	155	$1,700,000
Consolidated compliance activities	75	765,000
Voluntary home mortgage credit	22	225,000
Public works planning advances	85	850,000
Urban renewal programs	1,280	11,880,000
Total, salaries and expenses	1,617	15,420,000

Significant increases in employment were proposed in the budget for only two of the five programs in this appropriation—public works planning advances (7 jobs) and urban renewal programs (165 jobs).

Public works planning advances

The House committee provided $12 million in appropriation for program activities, compared to $13 million requested in the budget. Considering balances available from 1962, funds will be sufficient in 1963 to carry out the full magnitude of the program proposed in the budget—a net approval level of some $20 million. This program level is almost double in the dollar amount of net approvals when compared to fiscal year 1962, as shown in the following summary table:

[In thousands]

	1962 actual	1963 estimate
Balance, start of year	$246	$1,704
Appropriation	[1] 8,000	12,000
Repayments and net expenses	4,294	6,952
Total funds available	12,540	20,656
Net approvals	10,836	20,000
Balance, end of year	1,704	656

[1] Includes $1,000,000 provided in the Second Supplemental Appropriation Act, 1962 (Public Law 87-545).

The budget estimates were based upon an assumption that there was a definite trend toward larger projects and larger planning advances. This would have resulted in a moderate increase in approval workload (in numbers of cases) at the same time that there was a substantial increase in net advances approved (in dollar amounts). Although some increase in average advance has taken plance, the trend has not matured to the extent the budget estimate had anticipated and it, therefore, seems probable that the workload in number of cases will be greater rather than less than originally estimated. Accordingly, the need for additional staff appears even more urgent than was the case when

the estimates were originally prepared. The request for additional employment of seven jobs for 1963 over the number now employed and allowed by the House seems a modest request in the face of rising workloads.

Urban renewal program

The budget as presented to Congress included funds for 165 additional jobs in the urban renewal programs. The committee report indicates that funds have been provided in the bill as passed the House for 65 additional jobs to be devoted to this program.

The bulk of the increase requested for 1963–145 of the increase of 165—is budgeted for the Agency's regional offices to expand the operating staff to meet the needs of the growing urban renewal program.

The aggregate workload to be handled by agency staff has risen steadily in recent years as an increasing number of localities and planning agencies have entered the program. The Housing Act of 1961 provided for an aggregate urban renewal program double the size of that previously authorized, and our current estimates are that the aggregate funds committed to local urban renewal undertakings will rise from $2.7 billion at June 30, 1962, to almost $3.4 billion at June 30, 1963—an increase of 25 percent. The number of projects and other urban renewal activities will experience a similar increase. In urban planning assistance, 2 years of activity at a rate of $18 million—the largest comparable amount in a prior year was $4.5 million—represents a very substantial increase in workload even though the dollar amounts in this program are a fraction of those in urban renewal. For full protection of the Federal Government's monetary interest and to assure responsible administration of the urban renewal programs, a staff increase of 165 to reach a total of 1,280 by June 30, 1963 seems fully justified. The cost during the year of accomplishing this would be $11,880,000.

PREPARED STATEMENTS

Senator MAGNUSON. Also, since we have been discussing urban renewal and community facilities in connection with this first item, it would be appropriate to include the statements of the Commissioners at this point in the record.

(The statements referred to follow:)

STATEMENT OF WILLIAM L. SLAYTON, COMMISSIONER OF THE URBAN RENEWAL ADMINISTRATION, HOUSING AND HOME FINANCE AGENCY

Mr. Chairman and members of the committee, I welcome the opportunity to appear before you to explain the position of the Urban Renewal Administration with respect to the budget estimates for fiscal year 1963 recently acted on by the House of Representatives. I am most concerned that amounts provided in the House bill for salaries and expenses will not permit the additional staff urgently needed in the urban renewal program and in the urban planning assistance program authorized under section 701 of the Housing Act of 1954.

NEED FOR STAFF—TITLE I PROGRAM

On June 30, 1961, the Housing Act of 1961 became law. An additional $2 billion was provided for title I grants, an amount equal to the grant reservations used in the entire life of the program up to that time—12 years. Title I of the Housing Act of 1949 authorized the Agency to undertake contracts with communities for the payment of grants representing up to two-thirds of the cost of acquiring and clearing a slum area, preparing it for a reuse consistent with the urban renewal plan, and selling it at its new economic value. One million dollars a year was authorized in this first act for each of the fiscal years 1949 through 1954. Twelve years later, at the end of fiscal year 1961, the cumulative contract authorization enacted by the Congress had reached $2 billion. Legislation broadening the scope of the program, in addition to providing more authority, has been enacted nearly every year since 1955.

During 1962, fund reservations for projects and other urban renewal activities amounted to $738 million for 35 community renewal programs and 261 new projects, 61 of which will be preceded by a total plan for a larger area, known as a general neighborhood renewal plan. This is more than double any previous year of operation of the urban renewal program and represents 37 percent of

cumulative grant funds which had been used up to the beginning of fiscal year 1962. By the end of the year Federal assistance in 81 urban renewal projects had been completed, 548 more were in various stages of project execution, and 384 were in the planning stage. In addition, 100 general neighborhood renewal plans were in preparation for areas too large or divergent in character for a single project, and 57 community renewal programs were in process of scheduling urban renewal on a communitywide basis.

Over the past 12 months applications for Federal assistance have risen drastically from previous experience as the economic and social benefits accruing from urban renewal action by those cities with advanced programs has become increasingly evident. In addition to continuing requests from the larger and more experienced municipalities, many smaller cities are recognizing their problems arising from urban blight and deterioration, with its gradual attrition of the city's economic base, and are requesting Federal assistance. The larger communities across the Nation that have experienced the effects of urban renewal undertakings begun in earlier years are applying to augment their programs to the full extent of their physical and financial capabilities.

A measure of the growth of activity may be seen in the fact that over $400 million in applications were in process on June 30. While it is true that all requests do not ultimately result in projects that become a part of the Urban Renewal Administration's active workload, each application must be reviewed and evaluated by staff technicians working with local officials to determine that required conditions of eligibility, urgency of need, and feasibility of performance are met before final action on the requests may be taken. It is expected that similar workload increases will occur in 1963 and will, to a large extent, be compounded with work already in process, since some urban renewal undertakings require as much as a decade from start to finish.

NEED FOR STAFF—URBAN PLANNING ASSISTANCE

In the Housing Act of 1961 the authorization for urban planning appropriations was increased from a cumulative total of $20 to $75 million and various other provisions expanding the scope of the program were enacted, including language emphasizing the role of broad-scale mass transportation planning as an integral part of comprehensive planning for which 701 grant assistance is available. In August of 1954 the Congress enacted the 701 program with the stated objective of assisting and otherwise facilitating comprehensive planning for urban development by State or local governments. From an original appropriation of $1 million in 1955, a total of $16.4 million had been made available by the end of 1961. During 1962, contracts amounted to $18.2 million, $3 million more than the cumulative approvals through 1961. About one-third of this is represented by the increase in the grant formula from one-half to two-thirds. At the 50-percent sharing formula, the 1962 approvals would be nearly four times any previous year. Two hundred and twenty of the contracts were for assistance of groups of small communities, 61 were for localities in redevelopment areas, 53 assisted planning for metropolitan, regional, and other complex areas, and 20 were States for statewide planning.

NEED FOR STAFF—SUMMARY

At the beginning of the fiscal year 1962 the Congress and the administration, by action and word, recognized the fact that local need and demand for assistance in these two areas had reached new proportions. And in this year, also, administrative funds provided for operation of these two programs was adequate in the circumstances to permit orderly expansion necessary to guide, assist and direct these programs responsibly. While we needed more help in the year, the training and seasoning process puts a limit on the volume of staff increases which can be absorbed productively into the organization. Even if each member of the new staff were fully trained in his particular field of endeavor, it takes a certain amount of seasoned leadership and internal adjustment before new staff members become fully effective. In our program, a high percentage of the intermediate level of professional staff is selected from among new college graduates—trainees who are capable of moving up in the organization at a fairly steady pace. This is another deterrent to wholesale staff increases, since the indoctrination period for this type of employee extends over several months during which his production on his eventual assignment is not expected to be of much significance. We have

planned our staffing program to provide for the rate of increases that the agency can usefully absorb, and we urgently need all of the 165 new employees requested for 1963.

The expanding volume of requests for assistance; the number of inexperienced communities; the increasing complexity and difficulty of the activities being undertaken will, I believe, extend our staff resources to the utmost if the full amount of our budget estimates is made available. Until the number of additional people necessary to administer the urban renewal programs can be authorized, found, put to work and fully trained in their duties, we will, in my opinion, remain in a most difficult position with respect to our increasing responsibilities.

In the circumstances, I am appealing to this committee for full restoration of the amounts for staff activity of the Urban Renewal Administration contained in the HHFA budget estimates.

URBAN PLANNING ASSISTANCE APPROPRIATION

The budget request for this grant appropriation was $20 million and the amount included in the House bill for the purpose was $18 million. In the past 18 months many factors have converged which caused this program to move to an approval rate four times greater than past experience—in 1962, $18.2 million in grant contracts were approved, compared with a cumulative total of $15.2 million for all of the 7 years since the program got underway. The emphasis on mass transportation studies is an important factor, first because many areas have undertaken comprehensive planning after realization of the need to take action on their transportation problems and, second, because transportation planning in complex urban areas is very costly. The shift in program concentration and emphasis from principally small area assistance to metropolitan and State planning also represents a significant portion of the increase since plans for these larger, more complex urban areas take more time and staff.

A year ago we thought that $20 million in 1963 would about meet the responsible demand. Experience in recent months would lead to the assumption that a somewhat higher level might be needed. In view of these uncertainties we have decided not to appeal at this time. If experience in the next few months bears out the present indication that more money is needed for 1963, we hope that the committee will be willing to consider a supplemental request at that time.

OPEN-SPACE LAND GRANTS

In the Housing Act of 1961 contract authorization of $50 million was provided for (20 and 30 percent) grants to assist in curbing urban sprawl by maintaining permanent open space needed in urban areas for recreation or conservation. For this program $35 million was appropriated in the Second Supplemental Appropriation Act, 1962. After last June 30 the uncommitteed balance of this amount ($31.7 million) lapsed. The House of Representatives included $15 million in their bill for the current year. We feel that this program should and will grow to substantially larger proportions than this. However, it is quite new and there are many problems which the local public bodies themselves find they must solve before they can qualify for assistance, which takes time. The months ahead will give us a firmer measure of the volume of demand.

Again I should like to thank you, Mr. Chairman and members of the committee, for this opportunity to lay before you our concern with respect to the appropriations for fiscal year 1963.

STATEMENT OF SIDNEY H. WOOLNER, COMMUNITY FACILITIES COMMISSIONER

Mr. Chairman, and members of the committee, the Community Facilities Administration is responsible for the administration of a number of Federal loan programs: The program of advances for public works planning, authorized by section 702 of the Housing Act of 1954, as amended; the program of direct loans for housing for the elderly, authorized by section 202 of the Housing Act of 1959, as amended; the college housing loan program, authorized by title IV of the Housing Act of 1950, as amended; the public facility loan program authorized by the Housing Amendments of 1955, as amended; and several liquidating programs under the revolving fund (liquidating programs).

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COLLEGE HOUSING LOANS

In the college housing loan program, it is anticipated that the level of new activity (fund reservations) will remain slightly below the $300 million level. Taking into consideration this continuing high level of new activity, the inincrease in postapproval workload, and the cumulative effect of a growing portfolio which will reach a level of $1.6 billion by the end of the budget year, the agency proposed an authorization of $1,900,000 for administrative expenses, an amount equivalent to the previous year's cost of operation. The House reduced this amount to $1,800,000. To avoid disturbing fiscal year 1963 program objectives while keeping within this administrative fund limitation, all existing procedures and processing steps and other objects of expense will be critically reexamined in an effort to isolate those items of expense which can be safely deferred or eliminated.

PUBLIC WORKS PLANNING ADVANCES

Due to the increased activity experienced during the past 2 years, the fiscal year 1963 budget for the program of advances for public works planning anticipated a net program approval level of $20 million, of which $13 million was requested in new appropriations and $7 million from repayments. The House reduced the appropriation requested by $1 million. We are not asking for restoration of this amount. However, even with the reduced program level, the dollar volume of approved advances for fiscal year 1963 will be almost double that of the previous year. However, in reducing the overall salaries and expense appropriation request for the Office of the Administrator, the House denied the request for an additional seven positions for the advance planning program. A request for restoration of these positions and the necessary funds is included in the Agency's proposed amendments to H.R. 12711.

HOUSING FOR THE ELDERLY

The housing for the elderly program is experiencing a steady increase. The funds reservation level rose from $16 million in fiscal year 1961 to $50 million in fiscal year 1962. The fiscal year 1963 budget anticipates that a $113 million level will be achieved during this year, assuming that the additional legislative authority and appropriations are approved by the Congress. This is still a new program and much time and effort go into the development of policy and procedures. To support the anticipated level of new activity and the postapproval workload stemming from prior years' commitments, an authorization of $1 million was requested for administrative expenses. The House committee reduced this amount to $714,000 and a request for restoration of $136,000 is included in the Agency's proposed amendments to H.R. 12711.

PUBLIC FACILITY LOANS

As a result of the major changes made by the Housing Act of 1961, the public facility loan program is experiencing a very rapid growth. For a period of several years before the enactment of the liberalizing legislation, the program went along at an annual level of approximately $20–$25 million, but almost $90 million of loan approvals were made during fiscal year 1962. Loan approvals are estimated at $100 million for fiscal year 1963. Postapproval workload and the cumulative effect of some 7 previous years of operation have created a sizable workload for fiscal year 1963. The budget requested an authorization of $1,200,000 for administrative expenses. The House reduced this amount to $1,100,000. Full restoration has been requested and the supporting justification is included in the Agency's proposed amendments to H.R. 12711.

Thank you, Mr. Chairman. I would be glad to answer any questions the committee may have.

COMMITTEE RECESS

Senator MAGNUSON. Dr. Weaver, I want to go over to tomorrow because we will have to be on the floor, and also Senator Williams of New Jersey wanted to be here on this urban business, and also, I think, Senator Case. So, the committee will recess until 10 o'clock in the morning.

(Whereupon, at 4:55 p.m., Thursday, August 9, 1962, the committee recessed to reconvene at 10 a.m., Friday, August 10, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

FRIDAY, AUGUST 10, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room F–37, the Capitol, Hon. Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson, Ellender, Holland, Monroney, and Allott.

HOUSING AND HOME FINANCE AGENCY

URBAN PLANNING GRANTS

STATEMENT OF ROBERT C. WEAVER, ADMINISTRATOR, ACCOMPANIED BY MILTON P. SEMER, AGENCY GENERAL COUNSEL; JOHN M. FRANTZ, AGENCY BUDGET OFFICER; SIDNEY H. WOOLNER, COMMISSIONER, COMMUNITY FACILITIES ADMINISTRATION; HOWARD J. WHARTON, ACTING COMMISSIONER, URBAN RENEWAL ADMINISTRATION; NEAL J. HARDY, COMMISSIONER, FEDERAL HOUSING ADMINISTRATION; MARIE C. McGUIRE, COMMISSIONER, PUBLIC HOUSING ADMINISTRATION; AND J. STANLEY BAUGHMAN, PRESIDENT, FEDERAL NATIONAL MORTGAGE ASSOCIATION—Resumed

URBAN PLANNING ASSISTANCE PROGRAM

Senator MAGNUSON. The committee will come to order.

Mr. Weaver, you may proceed.

Mr. WEAVER. Thank you, sir. I will begin at that point.

Mr. Chairman, before going on to the next amendment, I would like to say a word about the urban planning assistance program which we administer pursuant to the provisions of section 701 of the Housing Act of 1954, as amended. Our budget estimate of $20 million for urban planning grants was reduced to $18 million in the House bill, and we have not proposed restoration at this time.

During the past several years—and particularly during the fiscal year 1962 just past—there has been a rapidly growing awareness of the necessity for comprehensive urban planning on the part of the State, metropolitan and regional, and local agencies concerned with urban growth and development. This has been accentuated, in part, by the fact that many Federal loan and grant programs now require as a condition for qualifying for Federal financial assistance a comprehensive plan for the locality or area involved. Other such statutory planning requirements are under active consideration in the Con-

gress; for example, in connection with the pending urban transportation bill and in the proposed amendments to the Federal Highway Assistance Act.

Senator MAGNUSON. In other words, we are getting into a situation whereby before the Federal Government will go in with Federal money or assistance we want to look over things as the U.S. Bureau of Public Roads, not to dictate, but to see that there is some feasibility to it, and it makes some sense in view of the overall problems.

POSITION OF DEPARTMENT

Mr. WEAVER. Yes, sir. Our position is, particularly in urban transit, we do not tell them how they shall plan their transit system, but we say they should have a plan before Federal assistance is granted to them.

Senator MAGNUSON. And there are certain basic criteria that make sense for them and sense for the Government, before it participates. But it is still not dictating to them or telling them what to do. This is not unusual. Sometimes you get criticized for it, but it is not unusual because we do it in pretty nearly every Government aid program. Even in construction aid to colleges they must submit a plan so that they just do not build something that is worthless. They usually do not. Most of the time these people are glad for the assistance, I think. Most of the time, and practically all of the time, as a matter of fact.

Mr. WEAVER. We have had a great and favorable response on this. Also we have a problem here in these areas of keeping one Federal program from being inconsistent with and canceling out the other one.

USEFUL PROGRAM ANTICIPATED

Senator MAGNUSON. Yes.

Mr. WEAVER. We think that by careful selection of projects we can accomplish a substantial and useful program within the appropriations enacted by the House. I do want to point out, however, that it may be necessary for us to bring this program before the Congress for further consideration in connection with supplemental estimates later in the year—particularly if the Congress enacts new legislation giving further impetus and encouragement to this type of planning.

Senator MAGNUSON. I think that would be true and you would have to do that if the present urban transportation bill that was reported out of the Banking and Currency Committee should pass.

Mr. WEAVER. Yes, sir.

Senator MAGNUSON. I do not see how you can get away from it.

Mr. WEAVER. That is the contingency we particularly wanted to suggest.

Senator MAGNUSON. Are there any questions on that particular item?

URBAN STUDIES AND HOUSING RESEARCH

All right. On page 7 of your statement we have urban studies and housing research. What page of your justification is that, so we can turn to it? It is B, the second item. All right.

Before you go on with your statement, Mr. Weaver, we will put into the record at this point the text of the amendment you have requested and the full text of the justification statement.

(The material referred to follows:)

URBAN STUDIES AND HOUSING RESEARCH

Estimate, $1,450,000. Proposed by committee, $375,000. In act, $375,000

(House hearings, pt. II, pp. 1135–1141)

Page 31, line 23, strike out "$375,000" and insert in lieu thereof "$1,450,000", the estimate, and an increase of $1,075,000 above the amount allowed by the House committee.

HOUSE REPORT

(Pertinent excerpts, H. Rept. No. 2050, p. 13)

"*Urban studies and housing research.*—The committee recommends $375,000 for undertaking research and studies in critical areas of housing. This continues the same level of appropriation as in fiscal year 1963 for such studies instead of $1,450,000 as proposed in the estimates."

JUSTIFICATION

Research and development studies have a vital role in the work of the Housing and Home Finance Agency. Through the urban studies and housing research program we seek to get essential statistical information on the housing market, we look for ways of reducing housing costs and try to work out programs to improve our cities and towns.

The budget submitted by the President for fiscal year 1963 contained a recommendation for the appropriation of $1,450,000 to permit the Administrator to carry forward a program of urban studies and housing research that was inaugurated in the preceding year. This recommendation is in accordance with the expressed desire of the President in his 1961 housing message that the Housing and Home Finance Agency shall provide leadership and financial assistance in studies necessary to the solution of housing and urban growth problems.

The House included only $375,000 for this program. This amount is not sufficient to fill even the most critical gaps in our data and knowledge of housing and urban development.

To meet some of these essential information needs, five study projects were undertaken with the funds appropriated for this program last year. Special tabulations from the 1960 Census of Housing on the housing conditions of an estimated 22 million citizens 60 years old and over have been completed for the United States as a whole, for the 50 individual States, for the 212 standard metropolitan areas, and for 136 additional places with populations of 100,000 or more. This information is already proving useful in evaluating applications for direct loans, for FHA-insured mortgage loans, and for public senior citizens housing.

Because of a concern with the rising trend of home foreclosures in the last few years, a mortgage foreclosure study has been undertaken to determine the causes and indicate possible remedial actions. The data being collected will produce before-and-after information as to family and financial characteristics of about 3,000 mortgage borrowers in 6 different metropolitan areas of the country whose homes were foreclosed in 1961–62.

There has also been a concern about the strength and weakness of different segments of the market. For the first time there has been obtained information on the number and price ranges of new homes that were sold and also homes that remain unsold in the hands of the builders. The Federal Government and homebuilders and materials producers can now judge the market price ranges in which demand is firm or soft. This new housing market information for the January–April 1962 period was provided in the first of a series of joint HHFA-Census Bureau reports. Comparable figures for the months of May and June are now being compiled. The fiscal 1963 program proposes the collection of similar data on a monthly basis.

In addition to the continuation of these vital housing statistics, there are critical areas about which more must be learned. For example, it is essential to know more about the factors that have led to the continuing, sharp rise in the price of land for urban development. Accordingly, another project proposed for 1963 would provide for an analysis of the various influences, such as land taxes, public ownership, and zoning, that have led to rising urban land prices in several metropolitan areas, in order to be able to recommend policy changes to counteract the rise in land prices.

There are new possibilities of better land utilization about which more knowledge is needed. Developers and local officials have begun to think of the development of entire new communities, such as the proposal for Reston in northern Virginia. Through a proposed study of new-town developments, knowledge can be gained as to how costs of transportation, water and sewer services, and land for such developments can be kept down. New-town developments will undoubtedly involve Government mortgage insurance and perhaps public facility loans. The Housing Agency has a stake in learning from a study of past experience with such development attempts whether and how they would be planned and executed in a sound manner.

Another study that would be undertaken if sufficient funds are made available is a survey of the construction and financing of shell homes. Tens of thousands of shell homes are being sold each year in an incomplete state, under short-term financing with excessively high interest rates. It is not known to what extent these homes are being completed adequately, and to what extent the high-cost financing may be leading to defaults and foreclosures. A comprehensive survey of this type of housing construction and sales might lead to the adoption of FHA standards and mortgage insurance for such housing, to encourage satisfactory construction and reasonable financing. This would benefit consumers and help prevent the construction of deficient homes that will plague the buyers and real estate market for years to come.

The other study projects that would be financed with the funds requested for fiscal year 1963—such as studies of impediments to interstate mortgage lending which inhibit the free flow of mortgage funds; and studies of economies of scale in the provision of sewer, water, and other community facilities to help reduce the cost of community services for consumers—would provide guidance in dealing with basic economic problems of housing and urban growth. The cost of these studies would be small compared with potential benefits to the public, to the homebuilding and financing industries and to the Federal and local governments, benefits that could result from identification and modification of factors that increase costs. In view of the billions of dollars in Government and private outlays and liabilities that will be encumbered in the next several years, it is essential that the nine studies, for which an appropriation of $1,450,000 was recommended by the President, should be carried forward.

Each of these studies is described briefly in the following pages.

Study projects proposed for fiscal year 1963

1. *Sales volume and price.*—This would be a continuation through fiscal year 1963 of the surveys initiated during the 1962 fiscal year to provide monthly data on the volume, price distribution and selling time of new homes sold, as well as on the number and price distribution of completed but unsold new homes. Estimated cost, $225,000.

2. *Land prices and urban construction.*—The price of land has accounted for the largest and sharpest rise in new housing costs in recent years. This price rise has occurred despite claims that there is an adequate supply of land for building in urban areas. Under this project, studies would be made in a number of metropolitan regions to determine whether the consumption of urban land is significantly absorbing the available supply; whether the continued rise in land prices is due to the supply-demand balance or to influencing factors such as the extent of speculative holdings, the effects of Federal, State, and local taxes upon land dealings and prices, the effects of public land ownership and public improvements, zoning and building codes upon the available supply, or imperfections of local markets which lead to higher land prices. Estimated cost, $100,000.

3. *New-town development experience.*—The growing magnitude of metropolitan growth problems has been followed by increasing Federal assistance for housing, urban renewal, mass transit, sewer and water facilities, and open space land acquisitions. One alternative form of urban development which might alleviate or eliminate the growth of these problems is new-town development,

either on an undeveloped site or about the nucleus of an existing small town. In order to evaluate this possibility, a study of new-town development would be made. The study would analyze the methods and effectiveness of private new-town development in this country including the greenbelt towns and newer developments, such as Sterling Forest, N.Y., the Stanford University campus site in California, and Reston, Va. Estimated cost, $20,000.

4. *Construction and financing of shell homes.*—In the last few years there has been a widespread development of shell housing production and sales. It has been estimated that between 50,000 and 100,000 shell houses per year are currently being built. The sale of these houses is being financed with relatively short-term loans, of 5 to 7 years, that usually require interest rates substantially higher than mortgage interest rates. It is proposed to make a study of this segment of the housing industry to see whether the housing being produced is of a quality that meets satisfactory standards, and whether the layman who purchases the house can satisfactorily install the required electrical wiring and plumbing. There would also be an analysis of the repayment and default record on shell houses under the current financing methods, compared with mortgage credit experience for comparable types of housing in the same regions. The combination of information on the quality of housing being produced and present financing methods would be used to explore possibilities of regular mortgage financing at lower interest rates for shell houses. Estimated cost, $50,000.

5. *Development of criteria of economies of scale in urban development.*—If metropolitan planning and development are to foster economic efficiency and growth, we need to know more about the economies of scale in provision of various types of urban facilities.

Since projected population growth makes urban expansion inevitable, more efficient urban growth would follow the development of criteria as to the optimum sizes of different facilities to serve populations of a given size. Conversely, if the population size required to support a public service is known, community activities on a scale of operations that can efficiently provide a particular service or good will be planned for maximum effectiveness.

To determine such criteria of optimum size facilities related to urban communities, surveys need to be made of operations of different size among various types of public and private facilities which have increasing returns to scale. Population sizes required to support optimum facilities also need be determined. Studies would be made by recognized experts in several fields of community services; namely, waterworks, incinerator plants, sewerage facilities, and wholesale distribution centers. The criteria developed would provide useful guidance for localities and be useful to encourage communities to build efficient water, sewer, and other community facilities where public facility loans are made by the Community Facilities Administration. Estimated cost, $200,000.

6. *Impediments to interstate mortgage lending.*—Many lenders engaged in interstate mortgage lending do not make loans in certain States due to restrictive State laws. Out-of-State lenders refrain from making investments in States where a "doing business in the State" statute would subject them to State taxes. More important are the property-redemption laws in some States which preclude a lender from regaining the property for a year after foreclosure. There are also States in which open-end mortgage financing, which can be useful for rehabilitation financing, is not legal. It is proposed that a survey of relevant State laws be made to identify the provisions in various State laws that restrict out-of-State mortgage lending and open-end mortgages. The objective would be twofold: (1) to arouse interest in modernizing the State laws governing mortgage lending; and (2) to work toward the formulation of a model foreclosure law from which provisions might be adapted for individual State laws. Estimated costs, $15,000.

7. *Housing market transactions* (initial survey).—This project would provide information to indicate the size, tenure, and price class of housing being obtained by different income and age groups in the population. It would also indicate the extent and type of FHA mortgage insurance, FNMA special assistance, direct loans, and public housing that is required to enable the different income and age groups to obtain their required housing. The data to be obtained would be most helpful in fulfilling the HHFA statutory obligation of reporting annually to the Congress on progress being made in meeting housing needs, and in identifying the need for new or revised housing programs.

Annual data would be obtained from a national sample survey of households that had moved into new or existing sales or rental units during the past year. For each unit involved in such a housing transaction, information would be obtained on sales price or rental, condition of unit, location, number of baths, and number of rooms. Mortgage-financing terms would be obtained for purchased units. Corollary information for each family involved in a specific transaction would include number and age composition of family members, income, liquid assets, years of marriage, race; and location, tenure, and value or rental of previous residence.

In addition to permitting more refined judgments for policy guidance, the information would be useful to builders, materials producers, home-equipment manufacturers, and mortgage lenders. Estimated cost, $500,000.

8. *The organization and operation of management-type housing cooperatives.*—Since World War II, cooperative housing has proven to be a practical method of producing units which require monthly charges measurably below the monthly rentals for comparable quarters. There is quite a range of rents that have been achieved in cooperative housing, however, and a study of experience to determine the factors in organization, construction, and operation which make for low monthly charges would be most useful. It would help present and future cooperatives reduce their capital and operating costs so that they could achieve lower rents. Such a development, in turn, would increase the soundness of cooperative mortgage loans, reducing the risks to be borne by private lenders or the FHA, and it should encourage more financing of cooperatives from private sources. Estimated cost, $15,000.

9. *The demand for metropolitan transportation services.*—In order to properly assess the demand for transportation services in a given locality, recognition must be given to the human factor. How do people choose between various methods of transportation with different levels of service, fares, and other costs? In meeting the needs of a modern community, both arterial highways and mass transit facilities are necessary. The problem is determining how much of each is necessary. Again the question of consumer choice is paramount.

The purpose of the proposed study is to develop new and better methods of predicting how the general public will choose among different types of transportation given alternatives as to cost, comfort, convenience, and types of equipment, etc. The study would be conducted by a research institution capable of developing a conceptual framework and conducting survey research studies. Estimated cost, $200,000.

Estimated total cost of nine projects	$1,325,000
Estimated administrative expenses (for contract supervision and analysis and publication of reports)	125,000
Total budget request	1,450,000

URBAN STUDIES AND HOUSING RESEARCH

Mr. WEAVER. For urban studies and housing research, the budget requested an appropriation of $1,450,000. The House has included $375,000—the same amount as was available for last year. I very earnestly urge your favorable consideration of the proposed amendment to restore the full budget estimate.

The research program, as we call it for short—and perhaps we should choose another term for, somehow or other, the word "research" in our field of interest seems to arouse negative reactions—is vital to the proper fulfillment of the role of the Housing and Home Finance Agency in the conduct of its housing and community development programs. We need the information and analyses that come out of these studies to make the decisions that will lead to better program administration and to guide the development of new programs aimed at providing better housing for the American consumer at lower costs, and for the improvement of our cities and towns.

We have made a modest start this past year. The results are coming in now, and they are good. For example, we financed special tabulations from the 1960 Census of Housing on the housing conditions of about 22 million elderly people. The information provided simply has never existed before, and we are already putting it to use in connection with the several programs we are actively administering in this field.

DATA ON NUMBER AND PRICE RANGE OF NEW HOMES

Another survey initiated last year—and it is one that I hope we can continue to finance under the research program as a permanent addition to our housing statistics—has provided, for the first time, data on the number and price ranges of new homes sold and unsold in a recent period. This housing-market information is critical to the judgments that must be made by the agency for program administration, by homebuilders, and by materials and equipment manufacturers in determining production schedules.

The fiscal 1963 estimate of $1,450,000 would provide for the conduct of the nine surveys and studies we have set out in our detailed justifications. They include new, systematic attacks on such significant problems as rising land costs, shell housing construction, and how to achieve greater efficiency in the provision of community services. I recommend this full program to you because I believe the amount of money requested is small in terms of the values to be received in return.

I might add, Business Week, in the August 4 issue announcing this, indicates it is a very great use to the business community also.

QUESTION OF DUPLICATION

Senator MAGNUSON. What this committee is worried about—and I am not discussing the merits of this thing——

Mr. WEAVER. Yes, sir.

Senator MAGNUSON. Is whether or not there is duplication in this particular field. The House did not give any reason why they cut it out in their report. Some time previously we used to have discussion of these types of programs and we would say, for instance, "Why does not the FHA itself"—your shop, that is—"have all of these figures, or are they existing in the Department of Commerce's statistics for which Senator Holland recommends very substantial sums for these surveys, and things of that kind."

What I would like to be sure of is that there is not duplication in these things, or that information does not exist in some other Department, or that it should exist in some other Department.

Mr. WEAVER. Let me say two things to the first point, sir. The Federal Housing Administration has certain data which relates to their activities.

Senator MAGNUSON. That is right.

Mr. WEAVER. But theirs is only a part of the total market. Secondly, in each one of these surveys we have all of the constituent agencies bring their research people together—first to find out what they have, and, secondly, to find out what contributions they can be making. We do the analysis of the findings, but in this particular project we have a contract with the Bureau of the Census to gather the data for us and to tabulate the data, and then we interpret them and we set them

out in a form that is useful to ourselves and to our constituents and to others.

NEED TO AUGMENT INFORMATION

Mr. MAGNUSON. What you are suggesting then is that there is a lot of this information in different places, but the purpose of this is to bring it together?

Mr. WEAVER. And to augment it—not all of it is there.

Senator MAGNUSON. To bring it together and augment it by an analysis of it?

Mr. WEAVER. No, sir. You have to add also segments of it which we do not have. For example, in this question I am talking about in this last project on the financing of new homes, we do not have the figures for the total universe. We have it only for a part of it—that part which we operate.

Senator MAGNUSON. But, for instance, the Veterans' Administration has figures on the Veterans' Administration activity in this field.

Mr. WEAVER. Some of the figures, but not all we need. They do not have for their particular activity all of the figures we gather here.

For example, one of the interesting things that came out of this was the fact that of the houses that were unsold in the market a larger proportion of them were the higher priced houses.

Now, some of that, as far as the Veterans' Administration is concerned, would be in VA and some of that would not be in VA.

Senator MAGNUSON. I understand that, but I have this question also: Do not the National Association of Home Builders, and the Association of Real Estate Boards, and those people, do this themselves?

Mr. WEAVER. No, sir. They have not done it on any systematic basis. This is one of the things that I do not think by and large they have facilities for doing, because it requires a larger extensive bit of paraphernalia.

Senator MAGNUSON. They are always quoting figures on the housing market. If you pick up any business or trade magazine, you will find the Association of Home Builders or the National Association of Real Estate Boards, or even my lumber people have these figures.

Mr. WEAVER. They have figures, but I do not think they have these. Mr. Hardy is an alumnus of the Association of Home Builders, so he could answer that better than I.

BASIS OF SURVEY DATA BY OUTSIDE INTERESTS

Mr. HARDY. I think the simplest answer I can give you to that question is that most of the survey data used by NAHB, or the real estate boards, or the lumber interests, is actually based on figures collected in the first instance by the Bureau of the Census. Then they do some analytical work in connection with it. From time to time each of these associations does a spot check, or a questionnaire survey, to extract specific information, but in terms of the type of basic study that Dr. Weaver has been talking about here, essentially what is done is to take all of the available information we have and that the Veterans' Administration has and others may have——

Senator MAGNUSON. Which Census has?

Mr. HARDY. And which Census has, and pull it all together and do a total analysis of it in terms of the specific types of information which

have a market impact both for the agency and for the industry itself.

Senator MAGNUSON. How much of this $1 million plus that you are talking about would be involved in this particular survey?

Mr. WEAVER. Let me say we have started it and done a first step on it for the last 6 months of this year, which involved $125,000. For next year we are asking $225,000 for continuing this particular project, which is No. 1 in our priority, I might say.

Senator MAGNUSON. All right.

Senator ALLOTT. Mr. Chairman.

Senator MAGNUSON. Senator Allott.

OVEREMPHASIS ON RESEARCH

Senator ALLOTT. Mr. Weaver, this Government is in grave danger of being researched to death. If you total up the so-called research in the present budget, I think you will find out it approaches somewhere near $12 billion. Anything we have had in the last few years which went under the title of research just about got free way. This may be research. It is not my concept of research. It is statistical analysis. But we won't play with words.

The problem that this committee is faced with—and I am sure that the Senators who are here will agree with this—is that we are confronted by each and every agency that comes before us with a request for so-called research. It is not, in many instances, any more research in a scientific sense than this. I do not regard this as research. This is just statistical analysis of computations more than anything else. Each and every one of them insists they have to have a particular type for a particular end that they have to review or get in order to achieve the material they need, even though much of the material, and perhaps 75 percent of it in many instances, is immediately available, except for a collation of the documentary data in their own shops.

This is what concerns me about this particular item. I cannot believe that the information is so completely lacking in other areas as the testimony that you and your staff would indicate, if it is obtained from these areas.

Would you care to comment on that?

Mr. WEAVER. Yes, sir. Two things: First, as far as the particular information involved in this particular project is concerned, this information is not available in the data we now have. This in information which is secured primarily by a survey which would be done by the Bureau of the Census under specifications that we would draw up to bring in these particular data. This is why we are asking for it.

NATURE OF INFORMATION NEEDED UNDER PROJECT

Senator ALLOTT. Let me ask this question then: What is the nature of the specific thing you want to know and you hope to acquire?

Mr. WEAVER. Under this particular project?

Senator ALLOTT. Yes, let us be as specific as we can.

Mr. WEAVER. In the first place, we are concerned here with the one-family homes started by builders for sales, realizing that this is a peculiar market and there are some impediments to the movement of housing which has been produced, and we should know more about

the nature of what we are dealing with. We want to know how many of these homes are financed through FHA, VA, or in conventional ways, which is data we can get, in part, from our own shop—prices of the homes sold, and asking prices of the homes sold. Also we will get facts on the size of the houses, the number of bedrooms, types of appliances included, sales price, and so forth.

For the first time we will know then how many new homes are unsold, and the price of these unsold homes, compared to the price of new homes sold recently. Builders need to find out whether they may be building too many high-priced homes for the market to absorb.

For example, in the study we have just completed, 18 percent of the unsold homes at the end of April 1962 were priced at $20,000 or more, as compared with 14 percent of those actually sold. This is a coverage on a nationwide basis. We will break it down by regions so it will be usable in the industry and usable to us.

I might say I will be happy to put in the record a copy of the first report on it, if you care to have it.

(The information referred to follows:)

[Preliminary report issued July 1962—Census–HHFA: C25–1]

CONSTRUCTION REPORTS—HOUSING SALES

This preliminary report is the first of a new series to be released jointly by the Bureau of the Census, U.S. Department of Commerce, and the Housing and Home Finance Agency. The data, though subject to revision, are being released now in order to make available, as early as possible, some of the data that have been collected on this subject. The format, frequency, and amount of detail to be included regularly in the reports have not yet been determined. When a schedule is established for the series, announcements will be sent out so that those who desire to be placed on the mailing list for the series can so indicate.

SALES OF NEW ONE-FAMILY HOMES, JANUARY–APRIL, 1962

INTRODUCTION

This report provides preliminary estimates of the activity in sales and starts of new private, nonfarm, one-family homes during the first 4 months of 1962. It is the first of a series of reports on this subject to be released jointly by the Bureau of the Census, U.S. Department of Commerce, and the Housing and Home Finance Agency. For the first time, this information will be available on a comprehensive basis and in this detail in a regular, recurrent series.

The data are based on monthly sample surveys conducted by the Bureau of the Census under contract with the Housing and Home Finance Agency. The information is obtained through monthly interviews with the builders or owners of a national probability sample of one-family homes authorized by building permits or, in nonpermit areas, for which construction is started.

For each house, monthly interviews are repeated from the month of the permit issuance (or start in nonpermit areas) to the month of sale. At the end of the first quarter of 1962, about 5,000 homes were in the sample, including units authorized or started during 1961 and not yet sold. (The data on units started, shown in table 1, are derived from a somewhat larger sample, for which the monthly interviews are repeated through the month of start, where the start occurs after the sale.)

A detailed description of the sample design and survey procedures will be presented in a later report in this series. Furthermore, as the statistics become available, subsequent reports will include more detailed and comprehensive information on sales as well as data on selected physical and structural characteristics of new one-family homes: e.g., floor area, number of bedrooms and bathrooms, presence of garage and basement, and appliances included in the sales price. Some limited regional information will also be presented, but the scope of

the survey will not permit publication of more detailed geographic data, such as for States or individual standard metropolitan areas.

SUMMARY OF FINDINGS

During the first quarter of 1962, a total of 185,000 private nonfarm single-family dwellings were started. Of these, 118,000—or 64 percent of the total—were intended for sale. Homes built by a single general contractor for the exclusive use of the owner accounted for 30,000 units, or 16 percent of the total. The remaining 37,000 units, or 20 percent of the total of private nonfarm single-family dwellings, comprise shell homes, rental homes, and those for which the owner acted as his own general contractor or performed some or all of the work.

The remainder of the information in this report relates to sales of the one-family homes intended for sale. Such sales may take place before, at the same time as, or after either the issuance of the corresponding building permits or the start of construction. Thus, the homes sold in the first quarter are not necessarily the same homes started in the first quarter. Furthermore, not all of the sales that actually occurred in the first quarter have yet been reported. In the survey procedure used, homes are brought into the reporting sample when, in a building-permit issuing place, a building permit has been issued, or, in areas without building-permit systems, construction has started. Thus, where sales have occurred in advance of the time at which they can be included in the survey, the sales will not become known until the permits are issued or construction started in nonpermit areas.

For the one-family homes intended for sale, preliminary figures indicate first-quarter sales of 110,000 homes that were either under construction or for which building permits had been issued by the end of April. Additional first-quarter sales will be reported in coming months, consisting of homes sold several months in advance of the issuance of building permits or the start of construction. About half of the first-quarter sales represent homes authorized or started in 1961. (See table 3.)

At the end of April 1962, some 213,000 homes had been authorized by building permits, or started in nonpermit areas, but remained unsold. They consisted of 55,000 that had been completed, 138,000 under construction, and 20,000 not yet started.

Among the total number of homes sold in the first quarter, 68 percent were sold for under $20,000 and 30 percent at higher prices. Prices were not reported on 2 percent of the homes sold.

Among the homes which remained unsold at the end of April, prices under $20,000 were reported for 56 percent, higher prices for 33 percent, and price was not reported for 11 percent.

Among the homes sold with Government-insured mortgage financing, approximately two-thirds were valued under $17,500. Conversely, two-thirds of the conventionally financed homes were sold at prices of $17,500 or more. For homes sold without mortgage financing (cash), slightly less than one-half were priced above $17,500.

Among all homes sold with mortgage financing, half were financed under Government insurance programs. FHA and VA financing predominated among those homes sold for less than $17,500. Among those homes sold at prices above that level, conventional financing was used more extensively than the Government-insured types. Conventional financing characterized more than three-fourths of homes sold for $25,000 or more. In contrast, FHA–insured mortgages accounted for only 4 percent and VA-guaranteed mortgages for 2 percent of the homes that were sold for $25,000 or more. The balance in this price category either had no report as to type of financing or were sold on an all-cash basis.

TABLE 1.—*New housing units started, by type of structure, 1st quarter, 1962*

Type of structure	Total (thousands of units)	Percent of total	Percent of private nonfarm 1-family homes
Total starts (private and public)	278.7	100.0	
Total nonfarm starts (private and public)	274.7	98.6	
Private nonfarm starts	268.9	96.5	
1-family homes	185.2	66.4	100.0
Other than shell homes [1]	175.5	63.0	94.8
Built for sale [2]	118.0	42.3	63.7
Built for exclusive use of owner by single general contractor [3]	30.0	10.8	16.2
Other [4]	27.5	9.9	14.8
Shell homes [5]	9.7	3.5	5.2
2-or-more-family structures	83.7	30.0	

[1] Includes manufactured (prefabricated) homes.
[2] Homes built "for sale" by operative builders, including units for which sales contracts were signed before start of construction.
[3] Homes built for an owner, on his own land, with construction under the supervision of a single general contractor.
[4] Homes built for rental purposes, as well as those on owner's land with the owner acting as his own general contractor, or performing some or all of the construction labor.
[5] Homes reported by the owner or builder, as shell homes, regardless of the extent to which facilities are included by the builder.

TABLE 2.—*New, nonfarm, 1-family homes, built for sale and sold, by month building permit authorized or construction started, January–April 1962*

[For homes authorized by building permits or started in nonpermit areas, through April 1962]

Item	Month permit issued or construction started				
	1961 (12 months)	January 1962	February 1962	March 1962	April 1962
	Thousands of units				
Total authorized or started		33.7	38.4	53.5	61.7
Sold in—					
1961 (12 months)		3.8	2.5	1.3	1.3
1962:					
January	18.0	4.0	4.9	3.0	1.6
February	19.9	4.0	5.1	3.4	2.6
March	25.1	2.9	4.1	7.2	4.3
April	17.1	2.7	2.1	5.2	7.9
Not yet sold at end of—					
January 1962	161.3	25.9			
February 1962	141.4	21.9	25.9		
March 1962	116.3	19.0	21.8	38.6	
April 1962 [1]	99.2	16.3	19.7	33.4	44.0
	Percent distribution				
Total authorized or started		100.0	100.0	100.0	100.0
Sold in—					
1961 (12 months)		11.3	6.2	2.2	2.1
1962:					
January		11.9	12.8	5.6	2.6
February		11.9	13.3	6.4	4.2
March		8.6	10.7	13.5	7.0
April		8.0	5.5	9.7	12.8
Not yet sold at end of—					
January 1962		76.8			
February 1962		64.9	67.7		
March 1962		56.3	57.0	72.3	
April 1962 [1]		48.3	51.5	62.6	71.3

[1] The total unsold homes at the end of April shown here is greater than the number in table 5, because table 2 includes units for which permits have been issued but on which construction has not yet been started. This group has been omitted from table 5.

TABLE 3.—*New, nonfarm, 1-family homes sold, 1st quarter, 1962, by month building permit issued or construction started*

[Thousands of units]

Status of reporting, and month building permit issued or construction started	Number of homes sold in 1st quarter, 1962
Total sales	(1)
Sales known as of Apr. 30, 1962	110.1
Permit issued or construction started in—	
1961 (12 months)	63.0
1962:	
January	10.9
February	14.1
March	13.6
April	8.5
Sales not yet reported as of Apr. 30, 1962	(1)

[1] The unknown sales will consist of homes sold in the 1st quarter for which a building permit was issued several months later or which are in nonpermit areas and were started several months after the sale. In the survey procedure used, sales made before issuance of a building permit or start of construction became known only when (*a*) in building permit-issuing places, a building permit has been issued, or (*b*) in areas without building permit systems, construction has been started. An analysis of the data in table 2 indicates that only a small proportion of 1st quarter sales were still unknown by the end of April.

TABLE 4.—*New, nonfarm, 1-family homes, sold in January–March 1962, by sales price and type of financing (for homes authorized by building permits or started in nonpermit areas, through April 1962)*

[Percentage distribution]

Type of financing	Total	Sales price							Median sales price (thousands)
		Under $12,500	$12,500 to $14,999	$15,000 to $17,499	$17,500 to $19,999	$20,000 to $24,999	$25,000 and over	Not reported	
	By sales prices								
Total	100.0	15.4	16.0	20.3	16.5	16.2	13.8	1.8	$17.2
FHA	100.0	22.1	26.1	24.0	14.7	10.6	1.9	.5	15.2
VA	100.0	23.1	18.1	24.6	21.2	9.2	1.7	2.1	15.8
Conventional [1]	100.0	9.2	9.0	15.7	17.9	23.3	24.0	.8	19.4
Not reported [2]	100.0	15.4	17.3	18.5	7.0	9.6	21.5	10.7	16.6
	By type of financing								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	----
FHA	27.4	39.2	44.6	32.4	24.4	17.9	3.9	7.4	----
VA	16.0	24.0	18.0	19.4	20.6	9.0	2.0	19.3	----
Conventional [1]	44.0	26.5	24.5	34.0	47.9	63.1	76.6	21.1	----
Not reported [2]	8.0	8.0	8.7	7.3	3.4	4.8	12.6	49.3	----

[1] Includes a small number of California veterans' mortgage loans.
[2] Includes cases in which type of financing was not determined at time of interview as well as those not reported for other reasons.

NOTE.—The distributions in this table are based on the estimated 110,100 homes known to have been sold as of Apr. 30, 1962, shown in table 3.

TABLE 5.—*New, nonfarm, 1-family homes built for sale but not yet sold at the end of April 1962, by intended sales price and by stage of completion*

[For homes started through April 1962]

Stage of completion	Total	Intended sales prices							Median sales price (thousands)
		Under $12,500	$12,500 to $14,999	$15,000 to $17,499	$17,500 to $19,999	$20,000 to $24,999	$25,000 and over	Not reported	
	Thousands of units								
Total unsold at end of April 1962	193.3	20.8	31.0	30.0	27.3	28.0	34.8	21.4	17.9
Completed	54.8	6.5	12.8	8.8	5.9	7.0	10.4	3.4	16.8
During 1961	19.9	2.1	6.8	2.3	2.2	2.0	3.7	.8	15.7
January–March 1962	23.2	2.9	4.0	4.1	2.4	2.9	5.0	1.9	17.3
April 1962	11.7	1.5	2.0	2.4	1.3	2.1	1.7	.7	17.1
Under construction	138.5	14.3	18.2	21.2	21.4	21.0	24.4	18.0	18.3
	Percentage distribution								
Total unsold at end of April 1962	100.0	10.8	16.0	15.5	14.1	14.5	18.0	11.1	.....
Completed	100.0	11.9	23.4	16.1	10.8	12.8	19.0	6.2	.....
During 1961	100.0	10.2	34.2	11.6	11.1	10.1	18.6	4.0	.....
January–March 1962	100.0	12.5	17.2	17.7	10.3	12.5	21.6	8.2	.....
April 1962	100.0	12.8	17.1	20.5	11.1	17.9	14.5	6.0	.....
Under construction	100.0	10.3	13.1	13.1	15.5	15.2	17.6	13.0	.....

DEFINITIONS AND EXPLANATIONS

The data in tables 2 through 5 cover all new, private, nonfarm, one-family homes built for sale except shell homes. Manufactured (prefabricated) homes are included. Housing starts statistics shown in table 1, however, cover shell homes. Mobile homes are excluded from all housing starts and sales statistics.

Data in tables 2 through 5 are presented for homes intended for sale and authorized by building permits in permit places or started in nonpermit areas during 1961 and not yet sold at the end of 1961, plus those authorized by building permits in permit places or started in nonpermit areas in January–April 1962. A house is defined as started at the time of excavation for the footings or foundation.

For the purpose of this survey, the sale of the home occurs with the signing of a sales contract or with the acceptance of a deposit. The survey does not follow through beyond these initial sales transactions.

Since the survey from which the data in tables 2 through 5 are derived is based on samples drawn from building permits issued in permit-issuing places and from homes on which construction is started in areas where building permits are not required, there is no practicable way to obtain information on a sale until the permit is issued or (in nonpermit areas) construction is started. At that time, the fact of the sale is discovered, and the month in which it took place is ascertained. For this reason, the statistics now available—which are based on building permits issued, and homes started in nonpermit areas, through April 1962—do not include all sales in the first quarter of 1962.

Information on the total number of sales will not become available for some months. For this reason, table 4 is shown in the form of percentage distributions rather than as the number of homes sold. An analysis of table 2 indicates that a high proportion of the homes sold in the first quarter of 1962 were authorized or started by the end of April. The distribution by sales price and mortgage status will, therefore, probably not be greatly changed when information becomes available on the remaining sales in the first quarter of 1962.

The number of unsold homes offered for sale, shown in table 5, includes only houses that were under construction or completed by April 30.

The price of an unsold home is the intended sales price reported by the builder. The price of a sold home reported in this survey is the price given in the initial sales agreement. The final price paid for a home may differ from that reported in this survey owing to modifications of original plans and specifications.

The types of mortgage financing reported reflect a combination of the following:

1. Cases involving firm commitments from the lender to the prospective homeowner.

2. Cases involving pending applications at the time of the interviews, or intentions to apply for mortgage financing.

In short, although a buyer was already involved in each transaction reported, in some cases the type of mortgage financing ultimately consumated may differ from that indicated by this survey.

A home is classified as completed when all exterior windows and doors are installed and all finish flooring is put in place.

Since all data shown in this report are based on sample surveys, they are subject to sampling variability. In addition, some errors of response arising from noninterviews, failure of respondents to understand some questions, processing errors, etc., are also likely in a large-scale survey such as this. The size of the sampling errors is in the process of being computed, and will be published in a later report in this series. Meanwhile, it would be well not to place too much significance on small changes over time or small differences between classes.

HOUSES IN $20,000 CATEGORY

Senator ALLOTT. What percent of the homes built are over the $20,000 class? You say 18 percent of those unsold are in that class. What percentage of those built are in that class?

Mr. WEAVER. I think the 14-percent figure is that, is it not?

Mr. HARDY. Yes. That is about right.

Mr. WEAVER. Fourteen percent of all the houses built?

Senator ALLOTT. Were in the $20,000-and-above category.

Senator MAGNUSON. And 18 percent of the 14 percent were unsold?

Mr. WEAVER. No; 18 percent of all those unsold were in the $20,000 category.

Senator MAGNUSON. I see.

Senator ALLOTT. And 14 percent of those built were in this category?

Mr. WEAVER. Yes, sir.

Senator ALOOTT. Which does not indicate that there is an alarming proportion of those unsold in that category as related to the whole of the homes built, does it?

Mr. WEAVER. I think it indicates that there is a disproportionate amount, and I think this is a sign which can become alarming if something is not done about it. This can move rather quickly in a cumulative fashion, because if there is a surplus, let us say, now, and you continue, this surplus will get larger and larger as times goes on.

Senator ALLOTT. Do you think homebuilders are going to continue it? I am just superficially acquainted with this, and yet, in my own area in and around Denver, I know that the homebuilders are completely aware that the market is now glutted with this type of home and they are not building them. Do you not think these people are acute enough, or astute enough, to appraise their own market? It is true they may overbuild at times. You have seen many examples of this in your own experience. I am sure. They overbuild for a time in a given category, or even in a given area, and then, as it becomes apparent, as the market makes itself felt, the man just does not continue building $25,000 homes when he can find no market for them.

PURPOSE OF PROGRAM

Mr. WEAVER. I think ultimately that is true. The purpose of this, insofar as it relates to that particular project, is to alert communities to a situation. There is a tendency on the part of all of us to be a little optimistic and to assume this is happening to the other fellow, but not happening to us. Secondly, I think that the sooner such a situation the more quickly there may be action, and not only action on the part of the builders, but also action on the part of the financial institutions and on the part of the Government, to deal with it.

If I may, I would like to read into the record what Business Week had to say about it. This is from the August 4 issue, if I am not mistaken. They say, and I quote:

> Businessmen who keep a close watch on the gyrations of the homebuilding industry now have a new tool that promises great usefulness. A brandnew series, prepared by the Commerce Department and the Housing and Home Finance Agency, provides information on construction, sales, and financing of one-family houses by price range. Even more important, it offers, for the first time, an estimate of the number of new homes standing unsold.

So apparently the business community has reacted as though this were useful, which we felt it would be. I know it is useful to us.

Senator ALLOTT. May I point out that Newsweek is not the business community.

Mr. WEAVER. This is not Newsweek. It is Business Week.

Senator ALLOTT. Or even Business Week, necessarily.

Mr. WEAVER. It purports to speak for business, I suppose.

TREND OF FORECLOSURES

Senator HOLLAND. Mr. Chairman, I would like to ask Dr. Weaver this——

Senator MAGNUSON. Yes.

Senator HOLLAND. I have not heard him, in connection with these figures, discuss the matter of foreclosure. In my State there are several thousand homes that have been foreclosed and I have had some conferences with groups of builders from my State, and personnel at your office. What I learned from them is the foreclosures have taken place almost entirely in the low level price homes. Their reason for that is they think it is because there is so little downpayments and terms are so liberal that families have not had any substantial equity in them, and therefore have felt completely free to walk off at their will; whereas the person who buys a $25,000 home or higher has a very much more substantial equity in it and a larger downpayment is required, and the like of that. They feel that the greatest effect on the building industry, at least in our State, has been the foreclosures of the very low priced homes, where the terms and the credit and the very small downpayment have all contributed to this large number of recaptured homes.

Do you have any comment to make on that?

Mr. WEAVER. Yes, sir. I would like to speak of the general situation and have Mr. Hardy speak of the specific situations.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

Mr. WEAVER. I think this is pertinent here because it happens we are now conducting in our own agency, in large part with the data

we have, studies of these foreclosures. It is being done simultaneously by the Federal Housing Administration and by FNMA, and with the Veterans' Administration also, sir.

Mr. HARDY. That is right.

VETERANS' ADMINISTRATION STATISTICS

Senator MAGNUSON. VA has a very exhaustive set of figures, or said they did, on the foreclosures there, which has come up the past year quite alarmingly in GI houses and GI loans. However, they have been very fortunate in their resale and refinancing, so the net is not too alarming.

Mr. WEAVER. We are doing the same thing, sir.

Senator MAGNUSON. Go ahead. Maybe you are right and it should go in here.

Senator HOLLAND. According to the information from the areas in my own State which are involved, it is not the VA homes which contributed so greatly to this mass of foreclosures, but the FHA-financed homes, and those in the lower levels of prices. That information came to me from your own offices down there, and some of your personnel here, as well as from the builders. That is what I wanted your comment on at whatever place is appropriate in the record.

Mr. WEAVER. I will make one comment and will have Mr. Hardy discuss it.

REVERSAL IN DEFAULT TREND

By June there had been a reversal in the default trend there. The proportion of FHA and VA outstanding loans which were in default status had begun to decline. The foreclosures, which usually lag a few months behind, do not reflect it yet, but as of now it seems the upward trend has begun to plateau and go down slightly, so we are in a better position now than a few months ago in this respect.

Neal, do you want to say something?

Senator HOLLAND. May I say one other thing: Whatever the appropriate time is, it is quite all right for me for this to appear in the record at that place, but at some place in the record I want there to appear the information as to my own State bearing on this subject. I understand several thousand homes have been foreclosed, particularly in the lower east coast and the Tampa Bay area.

Mr. HARDY. That is correct.

Senator HOLLAND. And they have been almost entirely in the low-priced homes where there is no equity worth saving. The continued activities of the builders have been very largely projected, and it has not been my information that the trouble has come about with regard to the high-priced homes. Perhaps that is because those doing that have continued at a reduced rate, because they build only for sales they think they see.

Mr. HARDY. That is right.

Senator HOLLAND. But I would like to be sure that in the record we have a report on that situation, because I am very sure these absurdly overliberal terms for the purchase of these small houses provided by the last housing law have been a very great contributing factor to this mass of foreclosures.

I am sure Mr. Hardy is familiar with this, and any comment he wishes to make I will be glad to have.

Mr. HARDY. I will be glad to go into it in any way you like. If you would prefer a special detailed report inserted in the record, I will be glad to have it furnished.

(The information referred to follows:)

Percentage distribution by original appraised property value for sec. 203 mortgages insured in the State of Florida on properties acquired by mortgagees and assigned to FHA between July 1, 1961, and Mar. 31, 1962

Original appraised property value	New construction	Existing construction
Less than $10,000	15.0	14.3
$10,000 to $10,999	15.0	11.0
$11,000 to $11,999	14.6	13.6
$12,000 to $12,999	12.9	22.1
$13,000 to $13,999	13.6	16.9
$14,000 to $14,999	13.9	11.7
$15,000 to $15,999	6.1	3.2
$16,000 to $16,999	2.8	2.6
$17,000 to $17,999	2.8	1.3
$18,000 to $18,999	1.1	1.3
$19,000 to $19,999	1.1	1.3
$20,000 to $21,999		
$22,000 to $24,999	1.1	.7
$25,000 or more		
Total	100.0	100.0

VOLUME OF FORECLOSURES IN LOW-LEVEL PRICE RANGE

Senator HOLLAND. Do you possibly have something on it now? Am I correct in my understanding that the principal mass of the foreclosures, in fact, almost the exclusive volume of them, has come from the low-level price range and the highly liberal acquisition terms that are applied in these low-priced homes?

FHA PROPERTY ACQUISITIONS AND SALES IN FLORIDA

Mr. HARDY. Yes. Generally speaking, Senator, it is quite true. It has been the houses in the modest price bracket. Actually it has been the houses in that modest price bracket in the State of Florida which represented a very, very substantial proportion of the total production, and it has been that kind of market for several years. I can give you the figures on the number of home properties on hand as of the 1st of June. We had in Jacksonville—in the Jacksonville jurisdiction—at that time 532——

Senator HOLLAND. That extends all the way clear out to Pensacola in the northern part of the State?

Mr. HARDY. That is right. The northern part. The State of Florida is divided into three general jurisdictions—Jacksonville, Miami, and Tampa. The Miami area was 1,705. The Tampa area was highest, with 2,851. Most of these properties are of the type you have characterized, but are houses which were built 2 or 3 years ago, actually under the terms of the Housing Act of 1957, not the new law.

As you know, we have stepped in to take remedial action, in view of this circumstance, by putting what many people in the industry consider a very severe clamp on new construction, it being our feeling we really have no alternative in terms of the basic health of the housing market in Florida—about which I have no concern as to its long-range soundness—until we have been able to do an orderly job of liquidating a substantial portion of the acquired properties.

I am happy to report, while we have not made all of the progress I would like to see, we have in the last 2 or 3 months been able substantially to step up the sound sales of these properties on reasonable terms and at fair prices. We have augmented the staff in each of these offices to handle this. We decentralized the administrative procedures governing property disposition, and are making substantial additional use in each of these offices of contract brokers assigned the job of fixing up, repairing, and reselling houses for us. We think we have it under control at this point and I am optimistic that in another 8 months or so this situation will be substantially reversed.

Senator HOLLAND. It is my feeling any policy enacted into law which encourages the building of these low-priced homes without insisting that the method of purchase shall involve an equity there that the purchaser will want to retain and protect, and which brings on such a situation as this, needs to be reexamined and a sounder policy enacted.

Mr. HARDY. Yes, sir.

Senator HOLLAND. What comment do you have on that?

FHA CREDIT REPORTING POLICY

Mr. HARDY. In connection with that, in Florida, as in other cases, Senator, we are now engaged in what I call a reunderwriting of these particular cases. It seems to me it is a very normal and sensible thing for any kind of Government agency to make. If we have had defaults which represent mistakes in underwriting in terms of the outcome, we need to go back in and find out just what was wrong in connection with it. That detail becomes plain from a thorough evaluation now underway.

We have discovered one thing already, which we moved to correct—and I am afraid Florida was one of the worst places in the country where that occurred—a pretty shabby attention to the credit analysis of the prospective borrowers, based primarily on inadequate, and in some places I am sorry to say in all candor actually misleading credit information which was supplied by credit reporting agencies. We surveyed the whole problem in some detail last March, if I recall correctly, by taking all of the credit reports which had been received throughout every one of our 76 offices on a particular day, and then ordering duplicate reports from credit reporting or credit analysis agencies in which we had confidence based on previous experience with them.

We discovered—frankly, to our very real consternation—that almost 70 percent of some 1,600 reports which had been received on that day were basically deficient.

This situation has been corrected as of the first of this year—the first of this fiscal year, that is—July 1. It has been corrected by our entering into contracts on an open-bid basis with credit-reporting firms which met certain rather stringent specifications that we set forth in our bid, advertising it under the terms of the contracts that we submitted throughout the country.

The credit-reporting agency agrees to submit at a certain price credit reports which cover certain detailed information to us if requested, because they also agree to render the same kind of report at the same price to any approved FHA mortgagee using it. We do not require each

mortgagee to use only these reporting agencies, but we reserve the right to doublecheck any credit report we receive which does not come from a contract agency.

I tend to think myself this has already had the salutary effect of eliminating a number of prospective purchasers whom we never would have insured in years past if we had adequate credit reporting, and is in no small part responsible for the current statistics which show a decline in the default picture.

Senator HOLLAND. I find no fault with FHA management or slowdown of construction, but the point I am calling attention to is that the very system set up and the way it was administered, or both, is creating a situation in which people are becoming broke by having to take back their houses, in spite of the fact that we have a great accessibility of new people which continues, and we have this great mass of, I believe, over 4,000 houses now on hand.

Mr. HARDY. That is right.

EFFECT OF SLOWDOWN ON BUILDING

Senator HOLLAND. And as a result of which artisans are the first ones affected.

Mr. HARDY. That is right.

Senator HOLLAND. Because that means when you have to slow down on building that they have lost a chance for employment, and it has had a very grave effect on some of our areas.

Mr. HARDY. There is no question about that.

Senator HOLLAND. I thought in this very appropriation hearing we had a good opportunity to explore this matter, so that we could prevent this kind of thing recurring again. The order you have today has applied in many cases equally to those who have been careless and to those who have been careful. You have not had the foreclosures from a local group of customers. As a general result that has applied against all artisans, all builders, and all lending agencies in the area, and it has been very adverse.

Mr. HARDY. That is correct.

POSSIBLE REMEDY OF SITUATION

Senator HOLLAND. So I think there is something that can be done in perhaps two places: A better statement of the act, when we have a chance, but in the meantime a more careful administration of the act, and you have indicated you are proceeding in that direction. This is a grave hardship when a community just has a shutdown of building, and you have a good many thousand artisans and their families living there who suddenly find themselves out of work. Notwithstanding the fact that we have enormous numbers of people continuing to pour into the State, both permanent residents and the refugees from Cuba, we have several hundred of your new houses filled with refugees from Cuba down there—houses you have retaken.

Mr. HARDY. That is right.

Senator HOLLAND. And the whole result of the situation is a very unfortunate one on the community. I am sure there must be something administratively that can be done until we can get around to improving the law itself, to avert the continuance of such a situation.

Mr. HARDY. As I have indicated, that is the reason for a much more rigid implementation of the credit requirements and things of that sort. It might be interesting to you——

Senator HOLLAND. So long as you have a system under which purchasers have substantially no equity at all in their homes, after they have worn off the gloss of having a new home to live in for a couple of years, or 3 or 4 years, I am sure you have a lot of people who say, "Well, I have no equity in it and I have a chance for a job over here in the adjoining town. I'll just let this go."

Are you not encouraging that kind of thing?

Mr. HARDY. I think there has been that kind of situation. Prospectively it is rather interesting to note even despite the movement problem which admittedly exists, particularly in the Miami and Tampa offices in Florida——

Senator HOLLAND. It is not only in Florida, as I understand it.

Mr. HARDY. It is also true in Fort Worth, Tex., and one or two other places.

CURRENT FORECLOSURE PERCENTAGE

But on the basis of our total experience in connection with this, even with this situation in these few spots which are frankly overbuilt, current foreclosures are under eight-tenths of 1 percent per year.

Senator ALLOTT. How much?

Mr. HARDY. Eight-tenths of 1 percent per year. So that actually the vast majority, taking the total insurance underwritten and the total number of homes sold, the number of those in which we are experiencing difficulty is a very modest figure in terms of that number of units.

Senator MONRONEY. What is that up from? It is a big increase from previous years.

Mr. HARDY. It is an increase from previous years; yes, Senator. Up until about 2 years ago I should say the incidence of foreclosures was very, very small—abnormally low, running well under about two-tenths of 1 percent.

Senator MONRONEY. And it is eight-tenths of 1 percent now.

Mr. HARDY. That is right.

Senator MONRONEY. Four times the rate of foreclosures.

Mr. WEAVER. May I point out that it is not only the question which Senator Holland raised, but also the fact that we are moving into a different type of housing market. As long as you had the price of housing going up, the number of foreclosures you would get through default would be minimal; but once you begin to level off, then you get into a situation where some of the mistakes which might have been covered up by increased prices become apparent. Also added to that is the economic problems we have been having in this Nation. Again, this augmented the number of defaults.

Interestingly enough, it was as a result of our research—and I think it is a very good example of the importance of it—once we made a study of it we found out this critical information in the report which was terribly important.

Senator HOLLAND. You did not need to have an appropriation to do that kind of research?

Mr. WEAVER. No. We did this internally.

FORECLOSURES BY REGION

Senator HOLLAND. That is what I think you should do.

Mr. WEAVER. But we need others too.

Senator MAGNUSON. Before you leave that, put in the record the figures for each region.

Mr. HARDY. On foreclosures, sir?

Senator MAGNUSON. Yes. Up in my region, and down in Florida, so that the Senators can see how the regions are doing. I do not think you need to do it State by State, but region by region is much easier.

Mr. HARDY. All right, sir.

(The information referred to follows:)

Status of defaults and property acquisitions, all home mortgage programs by calendar years 1958–61

Calendar year	Mortgages in default Dec. 31 [1]		Properties acquired by FHA during calendar year	
	Number	As percent of mortgages in force	Number	As percent of mortgages in force, beginning
U.S. total:				
1958	14,455	0.56	2,271	0.10
1959	16,970	.59	3,614	.14
1960	26,850	.87	7,112	.25
1961	40,713	1.24	18,670	.60
Zone I, Northeast:				
1958	2,233	.98	104	.05
1959	2,647	1.04	264	.12
1960	2,976	1.08	426	.17
1961	3,897	1.31	613	.22
Zone II, Middle Atlantic:				
1958	1,926	.64	230	.09
1959	1,950	.58	523	.18
1960	2,605	.71	585	.17
1961	4,017	1.02	1,466	.40
Zone III, Southeast:				
1958	1,903	.50	584	.18
1959	1,883	.42	792	.21
1960	4,826	.96	1,647	.37
1961	8,900	1.63	5,935	1.18
Zone IV, North Central:				
1958	3,452	.65	439	.09
1959	4,705	.81	245	.05
1960	6,158	1.00	731	.13
1961	10,513	1.63	2,093	.34
Zone V, Southwest:				
1958	2,255	.44	592	.13
1959	3,277	.58	1,361	.27
1960	6,322	1.04	3,030	.54
1961	7,484	1.17	6,795	1.12
Zone VI, West:				
1958	2,686	.43	320	.06
1959	2,508	.37	430	.07
1960	3,963	.55	699	.10
1961	5,902	.77	1,588	.22

[1] Including mortgagee inventory.

CUTS IN ADMINISTRATIVE FUNDS

Senator MONRONEY. Can you tell us how much the huge appropriation cuts in administrative funds will delay and possibly restrict the Federal agency in the process of disposing of these repossessed houses?

Mr. WEAVER. Could we postpone that until we get to FHA?

Senator MAGNUSON. We are trying to go section by section and that is on FHA. We will get back to that.

Senator ALLOTT. Are we going to leave this matter?

Senator MAGNUSON. We will get to it in just a minute on FHA.

Senator ALLOTT. I would like to ask some questions on that matter.

Senator MAGNUSON. Yes. I think there are a lot of questions on FHA. Let us finish this study business.

URBAN STUDIES AND HOUSING RESEARCH

Mr. WEAVER. The fiscal 1963 estimate of $1,450,000 would provide for the conduct of the nine surveys and studies we have set out in our detailed justifications.

Senator MAGNUSON. For the record, those are the surveys on B–1, B–2, and B–3 in the justifications, which we have included in the record.

Mr. WEAVER. Yes.

They include new, systematic attacks on such significant problems as rising land costs, shell housing contruction, and how to achieve greater efficiency in the provision of community services.

SHELL HOUSING

Senator ALLOTT. I do not want to interrupt you, but shell housing, so that I understand what you are talking about, is that where they construct the outside of a house? Is that what you are talking about?

Mr. WEAVER. It is less than a complete house. The tenant finishes it, or the owner comes in and finishes it.

Senator MAGNUSON. It is a do-it-yourself.

Mr. WEAVER. It is a partial do-it-yourself; yes.

Senator HOLLAND. Are you financing that type of housing now?

Mr. WEAVER. No, sir.

Mr. HARDY. No, sir.

Mr. WEAVER. I recommend this full program to you because I believe the amount of money requested is small in terms of the values to be received in return.

Senator MAGNUSON. Are there any questions on that item? The justification of the individual types of studies is in the record.

GROWTH OF SHELL-TYPE HOUSING

Senator ALLOTT. Can I ask you this: I have read numerous articles in trade journals and other places of the growth of this type of shell housing. What is your present thinking about the financing of this type of housing?

Mr. WEAVER. We have been rather negative, but I will let Mr. Hardy, who handles it, be more detailed.

Mr. HARDY. I think I can probably summarize the situation in about this way: The shell housing business, in terms of production, has gone through a very rapid transition over the last 2 or 3 years. Two or three years ago there was a substantial upsurge in the construction and sale of a pretty minimal type of shell, which is merely the outside structure with no plumbing, no heating or interior partitions, or things of that sort, and which is financed basically on commercial credit terms. Most of the people, however, in this particular business, found within a very short period of time with the substantial number of the houses of this sort that they were selling, they

were ending up going into supplementary contracts to finish. So you have had a basic change in production toward a house which is a habitable house, although lacking, for example, interior painting, and maybe only one coat on the exterior, and things of that sort.

We have taken the position that so far as FHA is concerned, we should not underwrite long-term financing on an incomplete or uninhabitable shell-type house.

Senator ALLOTT. Even though it is habitable?

Mr. HARDY. We have said that if it was habitable to the point where any ordinary person could finish it off—final painting and touchup, and things of that sort—this could be considered an eligible-type house. We have made minor modifications also in certain types of location requirements. It does not make much sense, for example, if you are underwriting the financing of a house located in a rural nonfarm area to have the same kind of requirements with regard to streets, sidewalks, utilities, and so forth, which you have in built-up areas. So we have made minor modifications there, but essentially we are not underwriting financing on anything short of a habitable house.

AGENCY ATTITUDE TOWARD HOUSING TYPE

Senator ALLOTT. So your attitude toward this whole area you would say is wary?

Mr. HARDY. That is correct.

Senator HOLLAND. That means so long as you have no control over what the purchaser will do by way of completing the house, as to whether he makes the shell a real house that can be lived in comfortably, you don't care to be responsible for the holding of the paper. Is that it?

Mr. HARDY. That is correct.

Senator HOLLAND. I think that is manifestly the wisest course.

Mr. HARDY. Yes.

URBAN STUDIES IN 1962

Senator ELLENDER. Is this a comparatively new program?

Mr. WEAVER. Which is that, sir? The shell house?

Senator ELLENDER. No. Urban studies and housing research. How much have you done on that?

Mr. WEAVER. Last year we received an appropriation of $375,000.

Senator ELLENDER. What were you able to accomplish with that?

Mr. WEAVER. We have those studies underway——

Senator MAGNUSON. Last year you had a number of studies and we cut out some.

Mr. WEAVER. Yes.

Senator MAGNUSON. Now go ahead from there.

PRESENT STATUS OF STUDIES

Mr. WEAVER. All of the studies that were approved are either completed or underway at the present time. The first study we have is the one—the first release was put in the record, and that is on the sales situation. It is the periodic statistics on sales, prices, sales volume of new homes, which was done for us by the Census Bureau and which we jointly issued.

We now have underway a study of mortgage foreclosures which is being done by the Census Bureau, and special census data on housing conditions of the elderly. It is a new field which we are entering, Senator, and which we found we wanted to get not only those data available in the regular census reports, but augment it, so we have a better understanding of where we are going in the program.

Then we have a small study of improved techniques for estimating of family displacement. Here we have, all over the country, displacement, and we have one town doing it in one way and another town doing it another way. We wanted to find out what were the best techniques for doing it, so there would be some standardization and improvement, because if we do not estimate properly the displacement we cannot tell whether or not we have or need a program to relocate these people.

Finally, we have a study on intermunicipal approaches to planning development and renewal. It has to do with how communities can develop various types of joint governmental approaches to regional and metropolitan problems in the maze of local governments which we have. These are studies we have underway.

Senator ELLENDER. These studies envision the type of construction?

Mr. WEAVER. No, sir.

PARTICIPATION IN STUDIES

Senator MONRONEY. Do you have a capability inhouse to do these studies?

Mr. WEAVER. Several of these are being done largely by us, and all of them are being done with our people. We have asked the Bureau of the Census to collect the data and our people will take it and analyze it. We do our own analysis of this data.

Senator MONRONEY. These are not farmed out to give another educational institution the opportunity to make a study and then report back?

Mr. WEAVER. I think there was only one contract with an educational institution last year, for $15,000 for Syracuse University. The contract was for a factual study of cooperative approaches among local governmental units for the provision of public services. They present the facts and say what the results have been, and we interpret them.

Senator MAGNUSON. Are there any further questions on the studies? I think we understand what you are asking for.

The next one is housing for the elderly, which we will sidestep now.

MASS TRANSPORTATION ACTIVITIES

Senator ELLENDER. You are skipping mass transportation loans and grants.

Senator MAGNUSON. No. There is no amendment on that.

Senator ELLENDER. I understand that, but I noticed the budget estimate for 1963 is $100,000, and the House allowed you $32,500,000. Why is that?

DIRECT APPROPRIATIONS FOR BACK-DOOR FINANCING

Senator HOLLAND. Page 72. It is a direct appropriation for back-door financing. You make no protest about that?

Mr. WEAVER. As a practical matter, we find for the next year, with the amount of money appropriated under this bill, we will be able to operate. However, we are convinced that this type of program and all three of these programs have to have some type of advance funding, and this will be an issue which will come up in the future; but as of now we find we can operate with the money appropriated in the bill, so we accept the fact that the money would be appropriated.

Senator HOLLAND. I note from the House report, Mr. Chairman, it is stated not only have they substituted the direct appropriation for back-door financing, but have also exhausted the present authorization. Is that correct?

Mr. WEAVER. It has been lapsed.

Mr. SEMER. The amount appropriated last year, Senator—for mass transit, for example—was not all used, but it does not remain available to us for the next fiscal year. It lapses.

Senator HOLLAND. My understanding is—and we find this in the report of the House committee on page 14——

Senator MAGNUSON. Yes, I have that.

FUNDS AVAILABLE UNDER PRESENT AUTHORIZATION

Senator HOLLAND. My understanding from their report is that this $32,500,000 which they recommend and have appropriated by their bill is the full amount that is available under the present authorization for this year. That is what I wanted to get your expréssion on.

Mr. FRANTZ. As a technical matter, Senator, I think the situation is this: The appropriation which was made in the supplemental act, plus the appropriation which the House recommended for this year, would total $75 million, which is the full amount which was contemplated in the 1961 act.

Senator HOLLAND. You mean, was authorized.

Mr. FRANTZ. Well, I say "contemplated" because in the act it was not provided that it would be by appropriation. Fifty million dollars of that is borrowing authority for the loan program, which would lapse under present law on December 31. Twenty-five million dollars is contract authority which has no terminal date on it, so that the House has appropriated cash equal in total to the amounts that were included in the bill. But the fact of the appropriation does not, I think, legally change the existing authorizations that still stand in the Housing Act of 1961 on the books.

Senator HOLLAND. I think that is correct, but it does eliminate the problem which you had because of the expiration of the authorization date at the end of this calendar year, does it not?

Mr. FRANTZ. I do not think so. No, sir.

Senator HOLLAND. You do not think the appropriation of the specific money representing the full amount, eliminates that problem?

Mr. FRANTZ. I would assume, sir, that even though we might have unobligated balances at that time of this appropriation, we could not use them for making loans after December 31 unless that date is changed by Congress.

Senator HOLLAND. Even though the appropriation is made in this bill for use in fiscal year 1963?

QUESTION OF INTERPRETATION OF ACT

Mr. FRANTZ. That would be the way I would interpret the situation. Yes, sir.

Senator HOLLAND. I do not think that would be the case, and if it is we ought to, by our report, Mr. Chairman—it seems to me we do not want to make available money that would not be available during the period covered by this bill, if that is the case. So we ought to, either by the report, or the language of the bill, make it clear we are appropriating for the entire fiscal year.

Mr. FRANTZ. The basic act contains the two separate authorizations, and the appropriation bill contains one amount for both which creates the problem which we have been discussing.

Senator MAGNUSON. The House is allowing you to pick up $32,500,000.

Mr. FRANTZ. That is correct. Yes, sir.

Senator MAGNUSON. Then when that is expended, that is the end of it.

Mr. FRANTZ. For this fiscal year. That is correct. Yes, sir.

Senator HOLLAND. But it is adding that to the amount that was in the supplemental that was passed last session.

Mr. FRANTZ. No, because that was an annual appropriation in the supplemental, and it lapsed on June 30. So the amounts that had not been previously obligated of that appropriation go back to the Treasury.

Senator ELLENDER. You have full authorization for this $32,500,000?

Mr. FRANTZ. The $32,500,000 to be appropriated? Yes, sir.

Senator ELLENDER. That is what I am talking about—for the whole fiscal year.

Senator HOLLAND. And you are making no protest?

Mr. FRANTZ. No.

OPEN SPACE LAND GRANTS

Senator MAGNUSON. Let us take the next one. Open-space land grants. The budget estimate for this item is $15,110,000, and the House committee is recommending $15 million, which is the remainder of the $50 million program presently authorized. In other words, this will use it up.

Mr. FRANTZ. The situation is the same there, Mr. Chairman, in that in the supplemental there was $35 million appropriated, and this is $15 million, so that there will have been $50 million appropriated in total——

Senator MAGNUSON. And that is all you are authorized to expend.

Mr. FRANTZ. We are authorized, in the basic act, to enter into contracts amounting to $50 million. Of the $35 million that was appropriated, only about 3½ was actually used, so that if $15 million is appropriated and used, there would be—technically, I am saying now—some $30 million left in contract authority which could be used after June 30, 1963, assuming that there were no other legislative action in the meantime.

Senator MAGNUSON. But you would have to get money for that.

Mr. FRANTZ. No, sir. Unless in 1964 we are again instructed by Congress not to use the contract authority, which is still in the basic legislation.

PROGRAM OPERATION

Senator ELLENDER. How is that program going? Are local people attracted by it?

Mr. WEAVER. Yes, sir. The difficulty was, this was a new program and it took quite a bit of time for local people to find out about it. We have requests in the pipeline now which indicates it is catching on. For example, we have 55 pending applications involving $11½ million which are now before us.

Senator ELLENDER. Are these applications throughout the country?

Mr. WEAVER. Yes, sir.

Senator ELLENDER. And they are scattered pretty well around?

Mr. WEAVER. They are fairly well distributed; yes, sir.

Senator ELLENDER. So if the Congress should provide this $15 million with what you have appropriated from last year you will be able to spend a total of $50 million?

Mr. WEAVER. No, sir.

Senator ELLENDER. Why not?

Mr. WEAVER. Because—Mr. Frantz, will you clarify that?

Mr. FRANTZ. Again, Senator, the $35 million which was appropriated in the supplemental was only for the fiscal year 1962.

Senator ELLENDER. Does it go back to the Treasury?

Mr. FRANTZ. It did. Yes, sir. Not all of it, but a little less than $31 million actually lapsed, because it had not been placed under contract at that time.

TIME LIMITATION

Senator ELLENDER. Is there any limitation in the time in which you are to spend this money? Is it through 1964?

Mr. FRANTZ. There is no time limitation in that section of the Housing Act.

Senator ELLENDER. In the authorization?

Mr. FRANTZ. No, sir.

Senator ELLENDER. But, of course, you have to come back to Congress for more and obtain from Congress authority for the full amount if you desire to spend it?

Mr. FRANTZ. I might put the situation this way: If there is $15 million appropriated in this bill, that would be all we could use this year. In the next following year we could use the remainder of the $50 million, provided we were not placed under a limitation—as we would be in this bill—against using this authority.

Senator MAGNUSON. If you put $15 million in you have $50 million to spend.

Mr. FRANTZ. No, sir. That would be all we would have.

Senator HOLLAND. Is this the point you are making: The proviso appearing on line 5, page 32, to the effect that—

Provided, That no part of this appropriation shall be used for administrative expenses in connection with loans including the purchase of securities and obligations which are to be financed with funds borrowed from the Secretary of the treasury * * *.

Does that limit you because of the fact that you are confined for this year to the appropriation in this bill?

Mr. FRANTZ. That is exactly correct. Yes, sir. If that language were not in the bill next year, we could use whatever remained of the contract authority in the original act.

Senator ELLENDER. But that would be relegated to the $50 million.

Mr. FRANTZ. To the remainder of the $50 million. Yes, sir.

Senator MAGNUSON. But you would limit it to $50 million no matter what we do.

Mr. FRANTZ. That is correct.

Senator MAGNUSON. You can go on and make contracts over and above that.

Mr. FRANTZ. No, sir.

Senator MAGNUSON. All right.

Senator HOLLAND. These words are words of limitation, as I understand it, Mr. Chairman, which would preclude any operating funds from being spent.

Mr. FRANTZ. That is correct.

CONTRACTS IN LOCAL AREAS

Senator ELLENDER. Have you entered into any contracts in the local areas?

Mr. FRANTZ. Yes, sir.

Senator ELLENDER. You just pick out one. How has it operated? How much have you contributed, and how much in loans is involved, and what did the local people contribute? It might be a good thing to put one of those in the record, Mr. Chairman.

Mr. WEAVER. There is one close to home. The Maryland National Capital Park and Planning Commission——

Senator MAGNUSON. Let's not stick around here. Let's get out home.

Mr. WEAVER. I figured this would be where nobody would be involved. I have one in Colorado.

Senator MAGNUSON. All right. Take Colorado.

Senator ELLENDER. The reason why I am asking this is, you know the park commission in Maryland has been trying to get funds in every which way, and has been delayed. Now they are grabbing on to this. I am surprised at this 20. I thought we would go away from here where there may be more need for it.

Senator ALLOTT. Let us try Colorado.

Senator MAGNUSON. We are in Colorado.

Mr. WEAVER. Here is one for recreation. This is district 50. A Federal grant of 19–2.

Senator ALLOTT. Do you know where it is?

COLORADO PROJECT

Mr. WEAVER. Yes. It is Westminster, 5 miles north of Denver. To aid in the purchase of a 120-acre parking and recreation area. The new parking and recreation area, together with 80 adjacent areas previously acquired without Federal assistance will be developed by the recreation district for public facilities to include several lakes, a swimming pool, and open park. It is either a 20 or 30 Federal grant. I don't know off the top of my head which it is.

Senator ELLENDER. It is for the purchase of land, or only to establish facilities?

Mr. WEAVER. No, sir. It is for the purchase.

Senator ELLENDER. You are not limited to land only, are you?

Mr. WEAVER. I think we are; yes, sir.

Senator ELLENDER. You are limited?

Mr. WEAVER. Yes, sir. To the purchase of land or rights in land.

Senator ELLENDER. What did that land cost? One hundred and twenty acres, you say. You furnished about 30 percent?

Mr. WEAVER. We either furnished 20 or 30. I don't know which in this case. This is one-fifth of the total cost of it.

Senator ALLOTT. What was the total cost?

Mr. WEAVER. This is one-fifth. About $100,000. Five times 20, approximately.

Senator ELLENDER. That is cheap land.

Senator ALLOTT. There are a lot of open spaces there.

Senator HOLLAND. Do you have any projects in Florida, Doctor?

Mr. WEAVER. I am looking now—none approved to date.

Senator MAGNUSON. I do not think there are any in my State, but I noticed the Seattle metropolitan district is starting to look at this program, as you say.

Mr. WEAVER. We have one next door, in Oregon, but that does not help too much. It is closer.

Senator ELLENDER. One in Oregon?

Mr. WEAVER. Yes.

Senator ELLENDER. I am surprised the chairman did not know about it.

Senator MAGNUSON. Is that in the Portland area?

Mr. WEAVER. No, near Eugene.

Senator ALLOTT. Off the record.

(Discussion off the record.)

Senator MAGNUSON. All right. On open spaces, are there any more questions on that? I think we understand the legislative situation.

The next one in the House report is——

RECORD OF APPROVALS

Senator HOLLAND. On the open spaces, on the elaboration of them I hope that for the record a list of the ones already approved will be furnished.

Senator MAGNUSON. Put that in the record.

Senator ALLOTT. And the amount.

Senator MAGNUSON. And the percentage of local contribution.

Mr. WEAVER. Yes. It is 20 or 30 under the statute.

Senator ELLENDER. You might give the amount as well as the percentage of cost.

(The information referred to follows:)

OPEN SPACE GRANT COMMITMENTS AS OF JUNE 30, 1962

Summary

Number of approvals	13
Grant commitments	$3,228,852
Total acres involved	8,753
Total acquisition cost	$11,053,369

INDIVIDUAL COMMITMENTS

Sacramento County, Calif.:	
Local share	$478,520
Federal grant (30 percent California OS–1)	205,080
Total cost	683,600

Aid in the purchase of 262 undeveloped acres for expansion of three parks along the American River. The county is planning to develop some of the parkland for picnic and recreation areas and to retain some in its natural state.

San Leandro, Calif.:	
Local share	$91,140
Federal grant (20 percent California OS–5)	22,785
Total cost	113,925

Aid in the purchase of 344 undeveloped acres for the San Leandro Shoreline and Marina Development. This is part of a proposed 1,502-acre land acquisition program for a regional recreational area and will be developed by the city as a seaside park.

Metropolitan Recreation District No. 50, Colorado:	
Local share	$76,800
Federal grant (20 percent Colorado OS–1)	19,200
Total cost	96,000

Aid in the purchase of a 120-acre park and recreation area near Westminister, 5 miles northwest of Denver. The new park and recreation area, together with 80 adjacent acres previously acquired without Federal assistance, will be developed by the recreation district for public facilities to include several lakes, swimming pool, and open park.

Waterbury, Conn.:	
Local share	$56,000
Federal grant (20 percent Connecticut OS–3)	14,000
Total cost	70,000

Aid in the purchase of 78 underdeveloped acres for Bucks Hill Park. This parkland is being acquired for conservation and recreation. Part of the woodland will be developed by the city to provide picnic areas, playgrounds, and athletic facilities; the remainder will be retained in its natural state.

Maryland National Capital Park and Planning Commission:	
Local share	$4,920,500
Federal grant (30 percent Maryland OS–1)	2,108,785
Total cost	7,029,285

Aid in the acquistion of 4,005 acres, on 41 separate sites of predominantly undeveloped land in Montgomery and Prince Georges Counties. Over 1,700 acres are in six locations along the upper reaches of Rock Creek. The other 35 park, recreation, and conservation areas—most of which are clustered around the boundaries of the District of Columbia—include the 686-acre Hawlings River Park in northeastern Montgomery County, and 510-acre Clinton, and 440-acre Largo regional parks in Prince Georges County.

Massachusetts Department of Natural Resources:	
Local share	$108,500
Federal grant (30 percent Massachusetts OS–1)	46,500
Total cost	155,000

Aid in purchasing a new park and recreation area in Taunton. The 647-acre park in Taunton will preserve a picturesque remnant of cranberry bogs which once covered much of this part of Massachusetts, and five man made ponds. The land will be developed for recreation, conservation, and nature study purposes and will be accessible to a local population of over 300,000 in an area rapidly becoming urbanized.

Huron-Clinton Metropolitan Authority, Michigan:

Local share	$386,540
Federal grant (30 percent Michigan OSI–1)	165,660
Total cost	552,200

Aid in the purchase of 838 predominantly undeveloped acres on the Huron River. The new park land, serving the Detroit metropolitan region, will be developed locally for picnicking and camping facilities. This acquisition is part of a long-range program of the Huron-Clinton Metropolitan Authority to expand the Metropolitan Parkway area.

Morris County, N.J.:

Local share	$30,000
Federal grant (20 percent New Jersey OS–1)	7,500
Total cost	37,500

Aid in the purchase of 50 acres for the Passaic River Park. The land is being acquired for conservation and recreational uses. Facilities for hiking, nature instruction, bicycling, and picnicking will be provided by the county. This is part of a long-range public park program that includes acquisition of more than 200 acres along the Passaic River. The county has already acquired 2,500 acres for a planned 10,000-acre countywide park system.

Berkeley Heights, N.J.:

Local share	$414,000
Federal grant (20 percent New Jersey OS–2)	103,500
Total cost	517,500

Aid in the purchase of land for six separate park and recreation areas throughout Berkeley Heights, a suburb of Newark. Two of the larger tracts will be developed for active recreation activities, including athletic fields, playground areas, and possibly a municipal swimming pool.

Poughkeepsie, N.Y.:

Local share	$29,320
Federal grant (20 percent New York OS–1)	7,330
Total cost	36,650

Aid in the purchase of 22 acres of land for the expansion of College Hill Park. The expanded park will provide facilities for boating, fishing, ice skating, and limited play field activities.

Lane County, Oreg.:

Local share	$390,463
Federal grant (30 percent Oregon OS–1)	167,341
Total cost	557,804

Aid in the purchase of 214 undeveloped acres for the expansion of North Bank Park near downtown Eugene. The new park land, on the Willamette River, is to be developed locally for boating, swimming, picnicking, and other recreational facilities. This purchase will complete the acquisition of land for a 500-acre regional park.

Northern Virginia Regional Park Authority:

Local share	$610,961
Federal grant (30 percent Virginia OS–2)	261,840
Total cost	872,801

Aid in the purchase of 1,338 acres of predominantly undeveloped stream valley and woodlands in southern Fairfax and Prince William Counties. The new park areas include about 450 acres to be added to Bull Run Park, from both Fairfax and Prince William Counties and the balance from the Pohick Bay

area in Fairfax County. The new acreage will be used for conservation, hiking, canoeing, picnicking, weekend camping, and outdoor recreation activities.

Madison, Wis.:

Local share	$231,773
Federal grant (30 percent Wisconsin OS–1)	99,331
Total cost	331,104

The first open space land grant was approved to aid Madison in the purchase of a new park area. The land is being acquired as part of a long-range park and open space plan prepared by the city in cooperation with the surrounding communities and with assistance from several State agencies.

Senator ALLOTT. One other question. You require a definite plan and schedule for the development of this area as an open space, do you not?

DEFINITE PLAN AND SCHEDULE

Mr. WEAVER. We have two provisions. First there has to be a plan—a recreation and a land use plan with which this is consistent. Secondly, if this is an areawide, or a metropolitan area plan, we give them 30 rather than 20 percent.

LOW-INCOME HOUSING DEMONSTRATION GRANTS

Senator MAGNUSON. On page 14 in the House report the next item is low-income housing demonstration grants. There is $3 million recommended by the House committee for demonstration projects for housing low-income families. "This fully funds the balance of the program authorized by the 1961 act."

Senator HOLLAND. This includes in the authorized appropriation the contract authorization also, as I understand it.

Mr. FRANTZ. The legal situation here is much as it is on the other two programs we discussed, Senator Holland. Here we are being given cash and instructed to use that instead of the contract authority with appropriations later to liquidate the contracts. And at the end of the year, if this were all used, there would remain approximately $1 million of contract authority in the basic legislation which had not been used, and which could be used in the future. But all we would have available for this year would be $3 million.

Senator MAGNUSON. The most you could spend on this would be $4 million.

Mr. FRANTZ. $3 million this year.

Senator MAGNUSON. This year?

Mr. FRANTZ. That's right.

Senator HOLLAND. And no reclama was requested?

Mr. FRANTZ. That is right.

ACCOMPLISHMENTS UNDER PROGRAM

Senator ALLOTT. What have you accomplished?

Mr. WEAVER. We have several projects under contract. Do you want me to describe them or put them in the record?

Senator ALLOTT. I would like to have some idea of what it is.

Mr. WEAVER. In Tulsa, Okla., for example, we have entered into a contract with the city to provide new privately developed dwellings under a specialized conditional purchase or lease with option to buy plan, enabling their initial occupancy as tenants, with improvement of

the incomes and other preparations for ownership. And, thereafter, acquisition of the leased dwellings by the family. In other words, we are trying a new approach where the family is coming in first as tenants and would be able to develop some equity in the property, and would end up as purchasers.

Senator ALLOTT. What have you been able to accomplish in the field of actually producing new methods of home construction?

Mr. WEAVER. We have several projects underway. As you know, this program was started in 1961. For example, at Pratt Institute in Brooklyn there is the development and demonstration of the combination of improved construction methods for development of low-income family apartment houses. This is under code restrictions typically preventing their use. It is an application of new methods and techniques and new technology which is now available, but its use has not yet been applied.

LIMITATION OF LOCAL BUILDING RESTRICTIONS

Senator ALLOTT. To what extent are you limited in this area by local building restrictions and codes which require what are now outmoded methods and types of construction as far as safety and health are concerned?

Mr. WEAVER. That is a very controversial area, Senator.

Senator ALLOTT. I realize that.

Mr. WEAVER. And it is very difficult to give you a definitive answer to it. I think this particular demonstration project will give us not only some new techniques which may be useful, but some new information on this. Assuming they come forward with 10 or 12 new approaches, and assuming after those approaches are used and they prove to be useful then we find that in 80 percent of the areas these approaches cannot be applied. We then have some specific information. Up to now what we have is a lot of theoretical speculation. The defenders of the existing codes are saying that the methods are not approved and not feasible, and the people who have the new methods are saying they are feasible, but the codes prevent it. It is the sort of argument that goes around and around.

I do not think there is any question but that codes are a factor here. I would hesitate to try to indicate the degree to which they are important.

Senator ALLOTT. All right.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

PUBLIC WORKS PLANNING FUND

Senator MAGNUSON. The next item is the public works planning fund. The House committee approved $12 million for payment to that. This is a revolving fund. This is a decrease of $1 million in the budget. A $58 million fund is authorized and $44 million has previously been appropriated. The amount in the bill brings the capitalization to $56 million.

Are there any questions on that?

Is this repayable? This is repayable by those you assist?

Mr. FRANTZ. Those are repayable at the time construction is undertaken.

Senator MAGNUSON. When they get started?

Mr. FRANTZ. That is right.

URBAN RENEWAL FUND

Senator MAGNUSON. Next is the urban renewal fund. I quote from the House report on page 14:

> The House committee is recommending $300 million to liquidate capital grant contracts for urban renewal projects. The total grant authorization of this program is $4 billion and will require appropriations to liquidate the awards as projects are completed in future years. Estimated disbursements in 1962 are at $175 million instead of the $211 million anticipated in the budget. The amount recommended is expected to be adequate for all program disbursement needs in 1963.

Is that a right statement as far as you people are concerned?

Mr. WEAVER. We think we can live with it.

Senator MAGNUSON. Are there any questions from the committee?

Senator ALLOTT. Yes.

Senator HOLLAND. I just say I hope this does not mean you will store up a big amount to come in with on a supplemental bill?

Mr. WEAVER. No, sir. If I felt that way, I think we would indicate it at this time.

Senator HOLLAND. I am glad to hear you say that because this committee very greatly appreciates frankness when the annual request is up and the confining of supplemental requests to unexpected things that have arisen after that request for the annual appropriation.

Mr. WEAVER. That is right, Senator. That is why I brought this to your attention in connection with the 701 planning, because I think there will be probably a supplemental need there, but here we think we can live within this.

PROGRAM PROCEDURE

Senator MAGNUSON. I want to ask a general question. Is this plan proceeding slowly, or would you say normally? I mean the program.

Mr. WEAVER. I think it is proceeding normally. The estimates on how much will be required can be refined more precisely now than in the winter when we were doing this for the House. We feel this is not going to represent any slowing up of the program.

Senator MAGNUSON. Is there any time limit on the $4 billion?

Mr. WEAVER. No, sir.

Senator MAGNUSON. It is, as they say, going on?

Senator ELLENDER. You have an open-end appropriation.

Mr. WEAVER. Yes, sir.

Senator MAGNUSON. An open-end authorization.

Senator ELLENDER. A what?

Senator MAGNUSON. An open-end authorization.

Senator ELLENDER. An open-end authorization.

Senator MAGNUSON. Yes.

LOCAL CONTRIBUTIONS

Senator ELLENDER. To what extent do the local people contribute and what difficulties do you run into in permitting them to cooperate?

Mr. WHARTON. They are required to contribute to the extent of a third of the cost of the project, and it is either cash or noncash, as you understand, Senator.

Senator ELLENDER. Do you run across cases wherein the local people try to get their share from some other Government agency in order to satisfy your requirements?

Mr. WHARTON. I think this is prohibited by law. It has to be the local share—either cash or noncash—and cannot be supplied by another Federal agency.

Senator ELLENDER. What amount was borrowed? That is what I am talking about. Do you find they use their own funds, or something else, or borrow it through regular commercial channels?

Mr. WHARTON. Most of these are either authorized out of annual appropriations, or are cash. Or, if they are noncash, they are things that might serve the project—schools and so on that are funded for a period of time through bonds. That is the normal method of funding.

STATE ASSISTANCE

Mr. WEAVER. Sometimes the States assist, like New York State, for example, gives assistance.

Senator ELLENDER. I have been very much interested in housing for the past 26 years that I have been here, particularly this urban renewal fund which was started quite awhile ago. I am very hopeful that as it continues and we will take out of sight some of these bad looking spots and make America and the United States look better.

Senator MAGNUSON. Put in the record some notable examples metropolitanwise of where this has been—you know, some of them are completed, aren't they?

Mr. WHARTON. We have 81 projects completed.

Senator MAGNUSON. I think it would be well to show what the program is doing.

Senator ALLOTT. Not only what the projects completed are but also the cost factors, the contributions of the local city or metropolitan area and what it has produced in money.

List of completed urban renewal projects as of June 30, 1962

[Dollars in thousands]

Location and project name	No.	Federal closeout date	Number of acres	Gross project cost	Net project cost	Title I grant [1]	Local grants-in-aid	
							Cash and equivalents	Noncash
Alabama, region III:								
Auburn, Hare project	8-1	June 1958	8.8	58	17	12	6	----------
Birmingham, Medical Center	2-1	June 1959	56.5	3,610	392	262	130	----------
Cullman, Logan Rd	7-1	April 1962	17.3	482	409	192	81	137
Demopolis, Strawberry St	R-5	April 1961	5.0	123	82	59	25	2
Eufala, Flake Hill	R-1	June 1961	59.4	398	352	236	116	1
Florence, Handy Heights	5-1	April 1959	26.1	402	290	193	86	11
Linden, King's St. area	R-8	April 1962	3.7	45	30	20	8	2
Phenix City, Municipal Center	10-1	April 1961	16.1	594	319	213	81	25
Arkansas, region V: Little Rock, Philander Smith area	R-1	June 1958	9.1	283	206	134	72	----------
California, region VI: Calexico, project No. 1	12-1	June 1961	20.6	592	516	343	4	171
Connecticut, region I:								
Farmington, Farmington Ave	R-17	March 1962	5.2	6	5	4	----------	2
Stamford, East Meadow	4-1	May 1962	6.3	835	659	440	172	47
Washington, Shepaug River	R-9	March 1962	46.0	620	530	358	147	29
Hawaii, region VI: Honolulu, John H. Wilson	1-2	June 1959	29.7	1,287	(−48)	None	----------	199
Illinois, region IV:								
Chicago:								
13th and Blue Island	R-13	June 1960	4.0	397	293	209	98	----------
Hyde Park project B	6-8	June 1959	4.6	637	577	389	192	----------
Michael Reese Hospital	6-6	June 1961	55.1	6,235	5,446	3,656	1,527	288
Galesburg:								
Area A	46-1	July 1961	4.7	198	174	118	58	----------
Area B	46-2	April 1961	4.5	137	115	81	38	----------
Kentucky, region III: Hazard, Main St. area	R-7	June 1960	1.2	334	284	196	95	----------
Maryland, region II:								
Baltimore:								
Broadway	1-2	June 1959	43.4	5,436	4,571	3,047	1,330	194
Harlem Park project No. 1	R-3	June 1961	20.1	2,116	1,956	1,339	652	----------
Waverly	1-1	June 1957	22.0	1,811	1,511	1,008	499	4
Massachusetts, region I: Cambridge, Rogers Block	7-2	March 1961	5.1	629	309	216	103	----------
Minnesota, region IV: Duluth, St. Croix redevelopment project	7-1	April 1959	12.2	194	109	73	27	9
Missouri, region V:								
Kansas City, Northside	3-3	June 1960	10.0	2,218	1,751	1,128	392	5
St. Charles, Olive-Pine Streets	R-3	June 1962	14.6	123	97	62	35	----------
St. Louis, Memorial Plaza	1-1	October 1961	16.1	5,127	2,611	1,626	123	862
New Hampshire, region I: Manchester, Concord-Lowell Streets	1-3	June 1957	2.0	237	77	51	23	3

See footnote at end of table, p. 791.

List of completed urban renewal projects as of June 30, 1962—Continued

[Dollars in thousands]

Location and project name	No.	Federal closeout date	Number of acres	Gross project cost	Net project cost	Title I grant [1]	Local grants-in-aid	
							Cash and equivalents	Noncash
New Jersey, region II:								
Long Branch:								
Russell Court	R-18	June 1960	1.1	149	124	85	41	----------
Union-Broadway	R-17	June 1961	3.2	614	507	363	171	----------
Newark:								
Branch Brook Park	3-1	June 1960	12.6	4,001	3,456	2,304	338	814
Broad Street	3-2	do	22.6	5,269	4,455	2,970	519	966
New Brunswick, Bishop Street	4-2	do	5.6	416	236	158	72	7
Passaic, Pulaski Park	12-1	do	8.2	1,282	1,102	752	133	235
Perth Amboy:								
Forbesdale	1-2	June 1959	46.0	1,516	1,190	503	126	561
Willocks	1-1	do	11.8	1,336	1,033	824	151	58
Plainfield, South Second Street	10-1	September 1960	1.7	242	225	152	75	----------
New York, region I:								
New York, Morningside	4-1	May 1961	10.0	5,491	4,189	2,793	1,396	----------
Port Chester, project No. 1	8-1	March 1962	6.0	919	701	467	234	----------
Poughkeepsie, Mill Catherine area	R-29	do	2.1	337	179	124	60	----------
Schenectady, project No. 1	3-1	July 1960	11.5	2,178	1,391	928	384	80
Syracuse, triangle block	7-1	May 1959	1.8	1,486	1,045	709	338	----------
Tarrytown, depot plaza	12-1	June 1958	1.1	327	252	167	85	----------
Ohio, region IV: Cleveland, Longwood project	6-1	January 1961	56.2	4,419	3,827	2,558	1,106	173
Pennsylvania, region II:								
Chambersburg, Harrison Ave	R-61	June 1960	1.2	81	67	45	22	----------
Chester, Bethel	21-1	June 1959	8.9	1,093	773	515	258	32
Darby Township, Hook Rd. area No. 1	35-1	June 1961	43.5	1,225	1,091	298	395	400
Easton, Canal St. No. 1	4-1	October 1961	7.4	190	185	118	66	1
Harrisburg, project "D," sec. 1	R-40	June 1962	3.3	990	887	685	222	1
McKeesport, first ward	2-1	do	29.9	3,179	1,917	1,348	637	2
Philadelphia:								
Drexel Ave	R-72	do	2.2	945	658	442	219	----------
East Poplar No. 2	5-1	May 1956	3.7	620	526	262	265	----------
East Poplar No. 3	5-5	December 1957	6.8	1,338	1,156	851	305	----------
Mill Creek project	R-4	June 1961	13.6	1,618	1,232	801	428	16
Norris	R-10	November 1960	3.8	730	629	429	201	----------
N.W. Temple-Temple U. No. 3	R-38	June 1960	2.3	482	381	258	71	56
N.W. Temple-Temple U. No. 2	R-45	June 1961	4.4	1,289	1,071	556	525	----------
St. Luke's area	R-71	June 1962	1.1	565	505	334	180	----------
Reading:								
Cherry St	R-48	do	3.1	680	511	342	183	----------

Walnut site	R-13	June 1959	1.8	399	284	191	88	21
Scranton, Petersburg area	R-7	June 1960	23.1	897	856	580	264	
Uniontown, King's Feed store site	R-12	June 1959	.9	215	129	92	43	
York, Gates House renewal area	R-97	April 1962	.4	96	52	47	15	
Rhode Island, region I:								
Providence:								
Point St	1-1	April 1961	8.4	547	157	114	49	3
Willard Center No. 1	1-2	June 1958	3.9	742	660	444	220	
Willard Center No. 2	1-3	June 1959	14.7	1,932	1,593	1,094	530	1
Tennessee, region III: Waverly, Newton	R-2	May 1959	5.2	66	53	36	15	2
Virginia, region II: Richmond, Carver	2-2	June 1962	44.4	2,321	1,653	1,102	378	173
Puerto Rico, region VII:								
Aibonito, Coqui	5-3	May 1958	3.4	175	143	95	34	14
Bayamon:								
Tortuguero	5-7	February 1961	4.1	155	97	65	14	19
Vista Alegre	5-6	November 1961	6.2	354	287	191	96	
Caguas, La Placita	5-1	June 1959	5.6	480	355	237	90	28
Mayaguez, Malecon	3-1	August 1961	7.0	400	106	33	6	67
Naguabo, El Duque	5-18	June 1962	5.9	263	200	133	59	8
Ponce:								
El Bosque	2-1	June 1958	3.4	306	223	148	70	4
Machuelito	2-2	February 1959	15.6	356	275	183	60	31
Palo de Pan	2-3	October 1961	17.5	351	211	141	70	
Toa Baja, Jalisco	5-22	April 1961	4.2	176	147	97	32	17
Utuado, Catano	5-14	November 1961	6.8	159	130	87	42	1
Vega Alta, Alto de Cuba	5-24	October 1961	9.1	163	148	99	37	12

[1] Including relocation payments.

Three of the completed projects with redevelopment complete or in advanced stages are described below:

ST. LOUIS, MEMORIAL PLAZA, 1–1

Memorial Plaza, Missouri, 1–1, was the first federally aided urban renewal project in Missouri. It covers a 16.1-acre diplapidated slum area, mostly in commercial and industrial use, within three or four blocks of city hall, the civil courts building, Kiel Auditorium, the Federal building, the central library, and other buildings. The purpose of the project was to provide better surroundings for these monuments and, at the same time, to provide middle-income residences near the central business district.

In 1951, the Urban Redevelopment Corp. of St. Louis was formed under the Missouri urban redevelopment corporation law which allows certain real property tax exemptions to corporations chartered under the statute.

The project was handled by the St. Louis Land Clearance for Redevelopment Authority. The project land was acquired for $3.4 million and cleared for $161,000. The gross project cost was $5.1 million.

Land proceeds reduced the cost to $2.6 million, of which the Federal Government contributed $1.6 million and the city of St. Louis contributed $985,000.

The bulk of this, $858,000, was for a two-block park in the project area and another $4,000 credit for donated land; $123,000 went for site improvements such as streets and street accessories and street lighting.

The project land was sold for $2.5 million. Of this, 616 acres were sold for $920,000 to the urban redevelopment corporation, a private redevelopment corporation. This area now contains 1,090 apartments in 6 multistory buildings built for $12.1 million, shopping facilities, and $2.3 million for building for Blue Cross group hospital service. The rest of the land is taken up by the neighborhood park, streets, the expansion of two churches, and parking areas.

In addition to upgrading the community and providing much needed middle income housing, the Memorial Plaza project resulted in $14.4 million in private investment.

STATEMENT ON MICHAEL REESE

A Federal grant of $3.656 million for the Michael Reese Hospital urban renewal project helped in the expansion of much-needed hospital facilities in mid-Chicago and the provision of apartments, a shopping center and a park for the convenience of residents. The area, as redeveloped, has an open, spacious atmosphere even though the high-rise apartments contain nearly twice as many dwelling units as existed in the 55-acre slum area before the project was undertaken. In this area there were some 900 dwelling units, 830 families and 200 to 300 single persons.

When the project execution was approved by HHFA, the Chicago Land Clearance Commission, the local agency handling slum clearance operations, handled the relocation of the remaining families and individuals. The property was acquired at a cost of $4.4 million and the site was cleared at a cost of $321,000. Gross project cost was $6.2 million. The cost of the project was $5.4 million, of which the Federal Government contributed $3.6 million and the city of Chicago contributed $1.8 million. The city's contribution of $1,815,300 included $3,000 for site clearance, $231,000 for site improvements, $210,000 as 35 percent credit for Pershing School, $79,000 for the land cost of Dunbar Park, and $1,292,000 in cash.

The project land was sold for $789,000. Sixteen acres were sold to the Michael Reese Hospital for $346,000. The university is erecting 5 hospital buildings providing for 670 beds and a 60-unit dormitory for interns. Construction cost of the hospital development in the project area was $8.8 million. Twenty additional acres were sold for $443,000 to Draper & Kramer Development Corp. for the erection of some 1,678 apartments in five 20-story buildings, and a shopping center with six stores. Total cost of these apartments, now fully occupied, and of the shopping center was $20.8 million. The apartment houses, the shopping center, and the hospital, therefore, represent an investment of $29.5 million.

Annual tax revenues before acquisition of the project area amount to $88,000; tax revenues subsequent to redevelopment are estimated to be $372,000. This latter figure represents, in part, an increase of about 40 percent in the tax rate. At former rates, however, the tax revenue on the redeveloped property would be about 300 percent of that before redevelopment, even though nearly one-third of the area, now in public use, was removed from the tax rolls.

HONOLULU, HAWAII, JOHN H. WILSON, 1–2

The John H. Wilson project is unique in urban renewal experience because in the final outcome it involved no Federal grant. Land disposition proceeds exceeded gross project cost. Prior to 1950 the 29-acre project area in the Kalilu Valley was used primarily for hog raising, poultry farming, and residential purposes. Owners of the piggeries lived a few feet away from the iron scrap and lumber pigpens. Of the 25 dwelling units, only 1 was salvageable—the remaining were all substandard. Two of the thirty-one families lived in converted chicken coops. Because of the unsatisfactory living conditions in this area, and the need for a new residential subdivision to relocate families living in downtown slum areas, redevelopment plans were initiated by the Honolulu Redevelopment Agency. The land was acquired at a cost of $626,000, and site clearance costs totaled $5,000. Gross project cost was $1,287,000. Disposition proceeds totaled $1,335,000. The net project cost was a profit to the city of Honolulu of $48,000. Therefore, no Federal contribution to the project was necessary, although its planning and execution were made possible by the Federal loans, which were repaid in full.

The cleared land was sold to a group of private redevelopers who built 162 dwelling units at a cost of $4 million.

The total assessed value of the land has increased from $253,000 to $3,821,000 and the total taxes assessed are almost 12 times as high as before renewal.

The last part of Senator Allott's question—what it has produced in money—cannot be answered in tabular form. A project is completed from the standpoint of Federal participation when all project land has been disposed of. However, in many cases, actual redevelopment of the land has not been completed, so that new private investment and tax revenues are not yet known. In addition, land dedicated to permanent public use—streets, public buildings parks, etc.—produce benefits to the community but not financial returns.

In addition, all projects do not result in direct private investment. Public housing, parks and institutional uses predominate in 20 of the projects completed thus far, comprising a total of 77 acres. In 32 of the private reuse projects redevelopment is sufficiently advanced that costs are known or can be accurately estimated. These projects, covering 548 acres, cost $30.1 million in Federal and local grants but redevelopment investments are or will be over $130 million. Tax revenues are up from $0.6 million a year to over $2 million and this figure will increase further since tax abatement privileges are granted to redevelopers in some areas.

By and large, the projects in which Federal participation has been completed thus far are much smaller than the average in both size and cost as the following summary will show:

[Dollars in millions]

	Projects completed by June 30, 1962	Projects in execution or complete, Dec. 31, 1961
Number of projects	81	583
Number of acres	1,058	28,960
Average number of acres	13	48
Net project cost	$67.0	$2,034.0
Average net project cost	.8	3.4
Federal grant	44.0	1,391.0
Average Federal grant	.5	2.4

The following table shows the cities with federally assisted urban renewal activities and amounts of Federal grant reservations as of December 31, 1961:

Estimated grants as of Dec. 31, 1961

Total, title I program:	
Estimated amount of grants	$2,476,552,153
Number of activities	1,114
State and territories	46
Locations	559
Urban renewal projects:	
Amount	$2,294,677,594
Projects	944
GNRP's under preparation:	
Amount	$172,953,918
Projects	87
Demonstration projects:	
Amount	$3,685,831
Projects	42
Community renewal programs:	
Amount	$5,234,810
Projects	41

State and city	Projects or contracts	
	Number	Amount
Alabama, total	42	$34,196,677
Auburn	1	12,111
Bessemer	1	1,675,774
Birmingham	4	7,711,422
Cullman	2	393,674
Decatur	2	481,312
Demopolis	2	205,616
Dothan	1	652,576
Elba	1	213,222
Eufaula	1	235,978
Fairfield	1	830,974
Florence	2	367,676
Gadsden	2	1,464,247
Huntsville	4	3,317,985
Linden	1	16,449
Luverne	1	108,978
Mobile	3	6,899,690
Montgomery	2	2,086,358
Opelika	1	378,063
Ozark	1	5,943
Phenix City	1	212,607
Selma	2	710,005
Sheffield	2	397,554
Sylacauga	1	1,120,494
Tuscaloosa	2	4,557,814
Tuscumbia	1	140,155
Alaska, total	7	4,349,080
Anchorage	3	1,333,799
Fairbanks	3	2,598,538
Sitka	1	416,743
Arizona, total	1	2,441,000
Tucson	1	2,441,000
Arkansas, total	20	24,282,642
Fort Smith	1	639,736
Harrison	1	1,866,853
Hot Springs	1	528,214
Junction City	1	443,604
Little Rock	9	14,475,903
Morrilton	1	384,440
North Little Rock	3	4,933,769
Texarkana	1	91,998
Paris	1	478,822
Searcy	1	434,303

State and city	Projects or contracts	
	Number	Amount
California, total	48	$137,612,820
Berkeley	1	28,864
Calexico	2	526,189
Fresno	4	8,258,618
Los Angeles	2	23,940,106
Marin County	1	649,811
Merced	1	559,382
Monterey	1	4,447,680
Oakland	4	9,148,132
Pasadena	1	3,083,800
Pittsburg	1	414,146
Richmond	5	12,001,777
Rio Vista	1	160,393
Sacramento	3	10,064,419
Salinas	1	1,299,299
San Bernardino	1	1,303,425
San Francisco	4	32,477,347
San Jose	1	4,567,572
Santa Clara	1	2,725,789
Santa Cruz	1	1,389,543
Santa Monica	2	2,925,558
Santa Rosa	1	2,625,530
Seaside	2	1,568,367
South Pasadena	1	
Stockton	3	8,608,279
Sunnyvale	1	1,849,385
Vacaville	1	443,025
Vallejo	1	2,546,384
Colorado, total	8	5,535,719
Arvada	1	1,600,726
Aurora	1	14,560
Denver	6	3,920,433
Connecticut, total	52	161,874,415
Ansonia	2	5,534,603
Bridgeport	3	11,602,287
Bristol	1	5,014,249
Danbury	1	3,851,297
East Granby	1	246,193
East Hartford	1	4,515,750
Farmington	2	24,969
Hartford	5	14,090,986
Killingly	1	202,922
Meridan	1	4,367,373
Middletown	1	2,163,211
Millford	1	871,875
Naugatuck	2	1,314,513

State and city	Projects or contracts	
	Number	Amount
Connecticut, total—Con.		
New Britain	4	$18,563,543
New Haven	7	47,707,802
New London	1	5,617,950
Norwalk	2	3,516,632
Norwich	3	1,654,841
Putnam	1	2,646,903
Rockville	1	394,088
Seymour	2	401,345
Stamford	2	18,548,317
Torrington	1	1,558,555
Washington	1	360,855
Waterbury	3	1,933,885
West Haven	2	5,169,471
Delaware, total	3	4,205,958
Dover	1	1,088,475
Wilmington	2	3,117,483
District of Columbia, total	9	76,969,624
Washington	9	76,969,624
Florida, total	3	11,351,828
Miami	1	4,234,000
Tampa	2	7,117,828
Georgia, total	45	41,744,935
Albany	1	1,907,633
Americus	1	359,456
Athens	2	2,028,795
Atlanta	6	18,316,229
Augusta	2	1,794,297
Bainbridge	1	98,372
Brunswick	1	547,499
Canilla	1	255,375
Carrollton	1	392,392
Cartersville	1	417,294
College Park	1	491,625
Columbus	1	1,781,023
Cordele	1	327,227
Decatur	1	773,271
Douglas	3	459,784
Dublin	1	315,780
East Point	1	2,010,946
Elberton	1	477,320
Fitzgerald	1	362,167
Lawrenceville	2	345,347
Lithonia	1	102,872
Macon	1	484,605
Manchester	1	200,000
Marietta	1	1,083,311
Milledgeville	1	270,199
Moultrie	2	464,276
Nashville	1	279,827
Savannah	5	4,697,589
Valdosta	1	539,204
Waynesboro	1	161,220
Hawaii, total	8	24,376,946
Kaiko'o	1	4,598,765
Honolulu	7	19,778,181
Illinois, total	52	138,843,383
Alton	1	92,941
Bloomington	1	212,125
Cairo	2	284,754
Champaign	1	291,000
Chicago	35	127,870,706
Chicago Heights	1	1,944,668
Decatur	1	1,054,316
East St. Louis	1	1,601,023
Galesburg	2	199,092
Joliet	1	1,246,276
Maywood	1	1,141,192
North Chicago	1	1,197,400
Robbins	1	1,123,843
Rock Island	1	$216,284
Springfield	1	356,163
Waukegan	1	11,600
Indiana, total	25	39,229,479
Anderson	1	816,110
Batesville	1	461,620
Bloomington	1	1,063,365
East Chicago	2	13,052,067
Elkhart	1	820,332
Evansville	2	2,966,454
Fort Wayne	1	33,668
Gary	1	2,304,010
Jeffersonville	1	569,925
Kingsford Heights	1	264,949
La Porte	1	1,029,901
Logansport	1	1,403,264
Marion	1	676,668
Michigan City	1	1,221,844
Mishawaka	3	3,063,262
Plymouth	1	693,409
South Bend	3	5,306,277
Terre Haute	1	2,171,110
Vincennes	1	1,371,644
Iowa, total	4	12,039,669
Des Moines	2	7,859,555
Sioux City	1	2,194,220
Waterloo	1	1,985,894
Kansas, total	11	22,849,726
Atchison	1	1,916,822
Kansas City	4	9,496,930
Meriden	1	71,415
Topeka	1	5,997,250
Wichita	4	5,367,309
Kentucky, total	18	29,414,583
Corbin	1	140,500
Frankfort	2	1,118,372
Glasgow	1	128,306
Hazard	1	195,611
Hopkinsville	1	534,308
Lexington	1	1,801,388
Louisville	5	19,963,390
Martin	1	144,665
Newport	2	2,630,657
Owensboro	1	1,774,244
Paducah	1	821,531
Paris	1	161,613
Louisiana, total	1	1,939
New Orleans	1	1,939
Maine, total	8	9,700,936
Bangor	2	2,791,598
Bath	1	1,957,875
Portland	4	3,523,951
Waterville	1	1,427,512
Maryland, total	18	57,988,784
Baltimore	17	55,927,071
Rockville	1	2,061,713
Massachusetts, total	54	119,905,158
Andover	1	579,038
Boston	16	57,239,219
Brockton	1	932,000
Brookline	1	1,747,706
Cambridge	5	11,511,534
Chelsea	1	501,277
Dedham	1	1,023,750

State and city	Projects or contracts	
	Number	Amount
Massachusetts, total—Con.		
Fall River	1	$1,265,243
Fitchburg	1	2,193,765
Gloucester	1	2,354,625
Haverhill	2	1,928,362
Holyoke	1	2,035,000
Lawrence	4	6,995,049
Lowell	2	1,661,009
Massachusetts State at large	1	36,487
Malden	2	6,485,404
Medford	1	265,199
Melrose	1	632,792
North Adams	1	1,510,920
Plymouth	1	1,156,357
Revere	1	232,839
Somerville	1	1,023,164
Springfield	2	8,952,097
Stoneham	1	961,875
Winthrop	1	1,665,000
Worcester	3	5,015,447
Michigan, total	47	93,739,762
Battle Creek	1	2,726,417
Benton Harbor	1	12,200
Buchanan	1	245,601
Clinton	1	447,550
Detroit	15	48,499,579
Garden City	1	311,118
Grand Rapids	3	6,111,034
Hamtramck	2	1,526,560
Hazel Park	1	954,626
Highland Park	1	3,936,880
Inkster	1	1,455,468
Jackson	2	3,269,097
Kalamazoo	1	324,799
Lincoln Park	1	759,996
Mount Clemens	1	4,193,670
Muskegon	1	3,423,481
Muskegon Heights	1	26,272
Plymouth	1	212,779
Pontiac	2	3,508,938
Port Huron	1	978,801
River Rouge	1	1,384,613
Royal Oak Township	1	2,585,814
Saginaw	1	1,299,009
St. Claire Shores	1	608,242
Wayne	3	3,319,483
Ypsilanti	1	1,617,735
Minnesota, total	13	36,474,722
Duluth	3	2,060,874
Minneapolis	6	28,814,837
St. Paul	4	5,599,011
Mississippi, total	3	3,402,779
Meridian	1	1,827,376
Tupelo	1	1,229,493
West Point	1	345,910
Missouri, total	32	98,870,280
Columbia	1	2,447,658
Independence	2	946,526
Jefferson City	1	694,716
Joplin	3	1,080,559
Kansas City	6	9,240,783
Kinloch	1	1,321,713
Kirkwood	2	1,489,818
Lee's Summit	1	750,000
Mexico	1	658,825
Olivette	1	359,308
St. Charles	1	71,704
St. Joseph	1	39,820
St. Louis	7	75,337,175
St. Louis County	2	2,964,209
Webster Groves	2	1,467,466
Nevada, total	2	$1,719,699
Las Vegas	1	615,994
Reno	1	1,103,705
New Hampshire, total	8	6,734,087
Manchester	4	4,459,224
Nashua	1	525,415
Portsmouth	2	803,698
Somersworth	1	945,750
New Jersey, total	77	144,431,205
Asbury Park	1	2,362,263
Atlantic City	1	1,404,449
Bayonne	1	3,791,000
Belmar	1	942,188
Camden	2	2,308,169
East Orange	2	2,630,896
Edison Township	2	1,709,776
Elizabeth	3	3,491,576
Englewood	1	807,750
Glassboro	1	668,991
Glen Ridge	1	312,885
Hackensack	1	643,540
Hoboken	1	831,113
Jersey City	5	11,118,468
Keansburg	1	687,224
Long Branch	3	1,599,823
Morristown	1	799,372
Mount Holly Township	1	704,888
Neptune Township	1	565,369
Newark	14	63,832,348
New Brunswick	4	7,343,003
New Jersey State at large	1	130,106
Orange	1	1,743,384
Park Ridge	1	253,762
Passaic	3	5,498,939
Paterson	3	8,483,253
Perth Amboy	3	1,938,750
Phillipsburg	1	571,076
Pitman	1	309,239
Plainfield	3	2,554,025
Princeton	1	463,210
Rahway	1	832,468
Stanhope	1	292,599
Trenton	5	9,775,402
Union City	2	1,917,868
West Orange	1	1,085,306
Woodbridge	1	26,727
New York, total	110	381,800,369
Albany	4	4,329,687
Auburn	1	919,610
Binghamton	3	8,662,845
Buffalo	4	24,599,908
Catskill	1	81,945
Geneva	1	928,125
Glen Cove	2	3,431,869
Gloversville	1	708,418
Greenburgh	1	4,257,327
Hempstead	1	1,464,400
Hempstead Village	1	4,916,240
Huntington	2	1,860,115
Island Park	1	720,252
Ithaca	1	3,263,625
Kingston	1	1,500,000
Lewisboro	1	398,862
Lindhurst	1	2,295,909
Little Falls	1	1,253,250
Lockport	2	5,085,750
Long Beach	1	2,597,193
Mamaroneck	1	1,747,125
Mechanicville	1	1,276,600
Middletown	1	1,823,031
Mount Kisco	1	455,378
Mount Vernon	3	20,760,000
Newburgh	1	2,178,450
New Rochelle	1	5,562,544

State and city	Projects or contracts	
	Number	Amount
New York, total—Con.		
New York	35	$204,843,837
New York State at large	3	299,808
Niagara Falls	3	6,086,770
North Tarrytown	1	634,969
Nyack	1	1,832,054
Ossining	1	1,935,878
Oswego	1	1,513,012
Peekskill	1	1,886,989
Port Chester	1	458,720
Poughkeepsie	1	174,611
Rochester	3	15,095,322
Rockville Center	1	1,138,540
Rome	1	1,457,708
Schenectady	2	2,363,837
Sloatsburg	1	335,244
Suffern	1	390,267
Syracuse	3	12,723,539
Tarrytown	2	2,333,888
Tonawanda	1	1,377,250
Troy	1	1,416,666
Tuckahoe	1	672,998
Utica	2	3,679,181
Watertown	1	1,350,000
White Plains	1	9,199,000
Yonkers	1	1,584,783
North Carolina, total	17	29,509,291
Asheville	1	1,042,000
Charlotte	1	1,467,832
Durham	2	2,156,485
Greensboro	3	5,629,636
Greenville	1	786,526
Highpoint	1	5,533,972
Laurinburg	1	464,840
Moorseville	1	190,667
Mount Airy	1	1,047,973
Raleigh	1	1,426,911
Salisbury	1	512,917
Wilmington	1	1,518,835
Winston-Salem	2	7,730,697
North Dakota, total	3	2,787,359
Fargo	2	2,372,833
Southwest Fargo	1	414,526
Ohio, total	42	138,835,348
Akron	3	5,735,712
Campbell	1	660,097
Canton	1	16,325
Cincinnati	4	30,101,508
Cleveland	10	50,314,199
Columbus	5	14,160,721
Dayton	3	13,775,727
Hamilton	2	1,008,191
Lima	2	3,906,116
Middletown	1	899,703
Springfield	2	903,830
Toledo	4	6,520,689
Youngstown	4	10,832,530
Oklahoma, total	5	1,536,356
Miami	1	522,300
Oklahoma City	1	50,000
Tulsa	3	964,056
Oregon, total	6	6,389,840
Coos Bay	1	405,919
Eugene	1	381,478
Monmouth	1	134,145
Portland	2	4,691,006
Springfield	1	777,292
Pennsylvania, total	129	$283,595,054
Allentown	1	2,144,440
Altoona	1	649,334
Beaver Falls	1	406,562
Bethlehem	2	2,962,354
Braddock	1	2,050,559
Brownsville	1	334,939
Carbondale	1	1,566,324
Carnegie	1	2,851,875
Chambersburg	2	767,166
Chester	3	1,287,575
Clairton	1	272,412
Connerton	1	217,738
Danville	1	569,916
Darby Township	2	1,525,825
Duquesne	1	4,160,657
Easton	3	817,481
East Pittsburgh	1	3,146,625
East Stroudsburg	1	787,391
Erie	3	7,140,240
Farrell	1	337,023
Harrisburg	4	7,650,839
Hazleton	2	793,787
Johnstown	2	2,098,275
Lancaster	1	1,062,631
Lansdale	1	310,527
Lower Merion Township	3	5,080,022
McKeesport	2	3,915,078
McKees Rocks	1	1,828,684
Meadville	2	1,259,791
Monessen	1	1,067,870
Nanticoke	1	1,567,041
New Brighton	1	136,206
New Castle	1	356,100
New Kensington	2	2,047,565
Oil City	2	826,517
Philadelphia	26	112,978,810
Pittsburgh	7	48,367,711
Pittston	1	1,710,277
Pottstown	1	8,000
Pottsville	2	1,776,455
Rankin	1	2,578,052
Reading	3	1,491,368
Rochester	1	910,114
Scranton	7	20,389,732
Sharon	3	2,870,685
Steelton	1	2,260,218
Susquehanna Township	1	738,000
Swatara Township	1	658,778
Turtle Creek	1	1,893,488
Uniontown	3	1,111,351
Washington	1	1,550,700
Wilkes-Barre	4	8,020,546
Wilkensburg	1	6,618,348
Windber	1	721,983
York	5	2,498,003
State-at-large	3	445,066
Puerto Rico, total	52	28,462,869
Aguada	1	388,400
Aguadilla	1	863,300
Aibonito	1	94,976
Anasco	1	160,700
Arecibo	2	2,183,700
Arroyo	1	127,900
Bayamon	3	1,073,274
Cabo Rojo	1	121,790
Caguas	2	1,875,711
Carolina	1	307,100
Catano	1	650,000
Cayey	2	1,241,100
Fajardo	1	656,000
Guayama	1	774,100
Guayanilla	1	383,200

State and city	Projects or contracts	
	Number	Amount
Puerto Rico, total—Con.		
Guaynabo	1	$122,000
Humacao	2	789,100
Juana Diaz	1	336,000
Juncos	1	497,600
Loiza	1	121,000
Mayaguez	3	3,399,144
Moca	1	129,100
Naguabo	1	150,900
Ponce	5	1,651,594
Quebradillas	1	425,100
Sabana Grande	1	196,930
San German	1	893,300
San Juan	7	7,703,444
San Sebastian	1	517,800
Toa Baja	1	97,754
Utuado	1	86,680
Vega Alta	1	98,852
Vega Baja	1	188,100
Yabucoa	1	157,220
Rhode Island, total	13	49,000,779
Newport	1	1,445,474
Providence	12	47,555,305
South Carolina, total	2	1,696,061
Columbia	1	1,145,733
Spartanburg	1	550,328
Tennessee, total	36	81,914,098
Athens	2	411,998
Chattanooga	1	10,654,106
Clarksville	2	2,365,862
Clinton	1	278,744
Cookeville	1	822,365
Dyersburg	1	14,753
Gallatin	1	309,666
Jackson	1	884,250
Johnson City	1	1,060,780
Knoxville	4	14,100,387
Lebanon	1	621,656
Memphis	5	24,075,437
Morristown	2	1,711,464
Murfreesboro	1	393,401
Nashville	2	18,985,576
Rogersville	1	286,496
Shelbyville	1	3,302,718
South Pittsburg	2	165,389
Springfield	1	519,715
Sweetwater	1	419,250
Tullahoma	1	113,606
Union City	1	268,201
Waverly	2	157,278
Texas, total	30	27,854,274
Austin	2	428,740
Clute	1	312,284
Crystal City	3	$1,784,598
Edcouch	1	212,666
Edinburg	2	1,189,308
Grand Prairie	1	1,108,156
Houston	1	60,000
Los Fresnos	1	354,825
Lubbock	1	4,939,509
Marshall	1	152,706
Mercedes	3	1,633,813
Mission	2	722,386
Port Arthur	1	3,778,921
Port Isabel	2	704,367
San Antonio	3	6,538,870
Stanton	1	223,976
Waco	3	2,767,281
Wink	1	891,868
Vermont, total	1	1,586,068
Burlington	1	1,586,068
Virginia, total	25	54,246,426
Alexandria	1	940,166
Charlottesville	1	823,848
Danville	2	2,630,665
Hampton	1	432,012
Harrisonburg	2	1,111,974
Lynchburg	1	220,925
Newport News	2	2,408,894
Norfolk	6	34,109,719
Portsmouth	1	1,366,141
Richmond	4	6,561,508
Roanoke	1	2,107,967
South Norfolk	3	1,532,607
Virgin Islands, total	3	852,750
Charlotte Amalie	1	228,375
Christiansted	1	542,250
Frederikstead	1	82,125
Washington, total	9	21,793,411
Seattle	3	3,810,106
Spokane	2	7,702,396
Tacoma	3	8,954,720
Vancouver	1	1,326,189
West Virginia, total	5	3,788,355
Bluefield	2	1,009,148
Charlestown	1	1,308,613
Huntington	1	567,119
Wheeling	1	903,475
Wisconsin, total	6	16,615,609
Madison	2	3,235,709
Milwaukee	4	13,379,900

NEWSPAPER ARTICLE

Senator ALLOTT. I have one question on this. I handed to the Administrator in the afternoon a clipping from the Washington Daily News of March 26, which brought up the question whether certain cities, certain entities—they might not be cities—might be in a position to avoid payment of their share. I brought this to your attention yesterday afternoon and I wish you would comment on it now.

I don't know whether we should put this in the record or not.

Maybe in order that the record be complete, I will ask that this clipping be placed in the record and then will you comment on our discussions?

Senator MAGNUSON. For the purpose of the committee, I think the lead paragraph says:

Local urban renewal agencies can renege on their pledges and the Federal Government would be stuck for the bill, the GAO reports.

(The newspaper article referred to follows:)

[From the Washington Daily News, Mar. 26, 1962]

CITIES CAN RENEGE—GAO DISCOVERS LOOPHOLE IN URBAN RENEWAL PROGRAM

(By L. K. Bridwell, Scripps-Howard staff writer)

Local urban renewal agencies can renege on their pledges and the Federal Government would be stuck for the bill, the General Accounting Office reports.

The GAO, in a study of the $4 billion urban renewal program, said there is no legal way the Federal Urban Renewal Administration can force cities to pay in cash or facilities their full share of urban renewal costs.

The report didn't cite many examples of how cities had backed out on promises, mostly because only 57 of about 600 urban renewal projects underway had been completed at the end of the fiscal year.

CASE IN POINT

The GAO did, however, cite one case where a city had failed so far to provide a $423,000 facility which already had been credited toward that city's share of an urban renewal project cost. The city wasn't named.

Cities, in the most cases, pay one-third of the cost of an urban renewal project, either in cash or by so-called grant-in-aid facilities.

The Federal Government pays two-thirds except in a few instances where the Federal share is three-fourths.

Most cities pay their share with a little cash and a lot of grant-in-aid facilities.

In an urban renewal project, these include libraries, schools, police and fire stations, relocation or rebuilding of sewer and water facilities and streets.

The GAO report noted that urban renewal contracts usually are between the URA and a local semi-independent agency.

The local agency seldom has authority actually to provide the grant-in-aid facilities promised and must depend on the city to do the work.

If a city fails to keep the promises of its urban renewal agency, there is little the URA can do and the Federal Government is stuck for more than its share of total project costs because it already has advanced the money.

LOAN

In practically all urban renewal projects, the Federal Government lends a city the money to develop urban renewal plans.

It then grants the local agency enough money to buy property, relocate families and businesses, raze old buildings and prepare the site for rebuilding.

The land is then sold and the Federal Government gets back part of its money, but land sales never produce enough to cover costs.

URA's responsibility ends when the land is sold for redevelopment. Actually, it may be several years after Federal responsibility is completed before all rebuilding is done.

URA administrator William L. Slayton agreed that cities legally could back out on promises, but said there are a number of steps URA could take to make sure all promises were fulfilled.

He said URA also could refuse any further projects to a city which didn't do everything it said it would on a previous project.

Mr. Slayton also said it is not practical or, in some cases, legally possible to write a contract covering everything a city promised to do in building grant-in-aid facilities.

Some cities, he said, are prevented by local or State law from committing themselves to anything for which they do not have money on hand.

ADMINISTRATION OF PROGRAM

Mr. SEMER. I would like to give you a legal answer, and then let the technicians and the policy administrators comment on how they are administering the program.

On the legal aspect of the thing, there are two points that can be made:

On the first, as to whether or not we could sue, say, in a breach—and we have never had a test—I am personally convinced that we could. We have never had occasion to try out that legal theory.

Secondly, we go even one step further: using the language of the article in the Daily News, if a community reneged in program A and they come around and try to get a loan or grant for program B, we will hold up on program B until they pay up on program A.

We have such a situation right now in one of the States.

Senator MAGNUSON. Who was renegging?

Senator ALLOTT. It is not your State.

Senator MAGNUSON. If it is, I would like to know about it.

Mr. SEMER. It is east of the Mississippi and north of the Mason-Dixon line.

Senator ELLENDER. Let me ask you this——

Senator ALLOTT. I will yield.

Senator ELLENDER. No.

Senator ALLOTT. No. I will yield.

Senator ELLENDER. Well, in your contractual obligations, that is, where the local people pay the third, I presume that the project goes on simultaneously when you put up yours?

Mr. SEMER. It is a continuing process, and there are only a dozen or more points in the process where there is money disbursed and the commitment has to be looked up to.

Senator ELLENDER. So that if you follow the law strictly, I don't see how there can be any renegging unless you put up all of your money and then wait on them to put theirs if the project is complete. I am sure you are not doing that.

Mr. SEMER. That is right.

Senator ELLENDER. I hope not.

Mr. SEMER. That is correct, sir.

Senator ELLENDER. All right.

Senator HOLLAND. The question is if the property wasn't bringing in the revenue to pay the debt off because of bad management or otherwise and a city or other unit affected just decline to repay the debt.

Mr. SEMER. That is right. We have a few of those cases, Senator, in other programs, but in urban renewal we haven't met this.

There is one other situation I ought to throw in.

Senator HOLLAND. This is at most only a possibility as discussed in this article.

Mr. SEMER. So far.

Senator ALLOTT. Except for the one case.

Mr. SEMER. That is right.

METHOD OF RENEGING

Senator ELLENDER. Let me ask this: when you speak of reneging, it means, to my way of thinking, the refusal of the local people to put up their share.

Now, if therefore the project or half of the project is completed it goes sour, I wouldn't call that reneging, would you?

Mr. SEMER. Well, I think that is what has happened in some of our loan programs, where the forecast was just not close enough. The project didn't throw off enough revenue to pay off the bonds.

Senator ELLENDER. But in such cases, though, the third put up by the local people, as well as yours, would be in the same category.

Mr. SEMER. That is right—whatever they have in it. This is purely hypothetical, Senator Ellender.

As I say, this has never been brought to a test. I assume that we would be pretty tough about it and if somebody really did dig in and refused to pay, well, we would move in on them. I hope we never have to do that.

Senator ALLOTT. Let me ask this question: where this is carried on by a corporate entity—and they call it various things in various States—we in Colorado call it a local improvement district, what steps do you take in your contractual relations to insure that a city assumes the——

COOPERATIVE AGREEMENTS WITH LOCAL ENTITIES

Mr. SEMER. The local agency has cooperation agreements with the local government.

Senator ALLOTT (continuing). Assumes the responsibility for it? You do take steps to see that the city assumes the responsibility even though you are actually doing your work with what amounts to a local improvement?

Mr. SEMER. That is right.

Let me give you an example, Senator.

In this situation where there has been a nonpayment in program A and they are coming around in program B and they wanted a Federal loan, grant, and so on, here is the legal situation: there is no question about the fact that the entity that applies—the corporate entity—has no assets. So, we go to the city. As a matter of fact, we have a judgment, a Federal court judgment, to collect a certain amount of money. The only question remaining is whether or not that municipality has the power to appropriate the money, to pay this bill.

Senator HOLLAND. Or they require the Federal Government only to look to the property affected?

Mr. SEMER. That is the point, yes, sir.

DEFAULTS ON URBAN RENEWALS

Mr. WHARTON. For the record, Senator, I would like to say we have had no default on urban renewals on one-third payments.

Senator ALLOTT. Well, this question has arisen as a result of a GAO report and I felt that for the benefit of the committee and in all fairness to you this matter should be aired here so that the committee would be completely aware of what the situation is, what the legal situation is, and so that we can answer this question.

Mr. SEMER. Well, we would be glad to submit for the record, sir, our reply to GAO, if that would be helpful.

Senator ALLOTT. I think this might be well in this case.

Senator MAGNUSON. All right, we will put that in the record.

(The information referred to follows:)

Pertinent excerpts follow from the Agency's comments to GAO on this subject in connection with audit of May 1, 1960:

HOUSING AND HOME FINANCE AGENCY, URBAN RENEWAL ADMINISTRATION, COMMITMENTS BY MUNICIPALITIES TO PROVIDE GRANTS-IN-AID WERE NOT BINDING

Report summary

This report states the opinion that cooperation agreements between local public agencies and the State and local agencies for the local grant-in-aid to be provided by municipalities do not always contain enforcible commitments. The finding concludes by stating that the Congress may wish to consider whether title I of the Housing Act of 1949 should be amended to require that prior to obtaining Federal financial assistance for urban renewal projects, municipalities make binding commitments to provide the necessary local grants-in-aid or whether URA should continue to rely solely on the good faith of the municipalities.

More specifically the report states that cooperation agreements for local grants-in-aid to be provided by municipalities "* * * (1) do not always contain definite commitments by the municipality to contribute its share of actual net cost of projects and (2) may not provide any recourse to URA to obtain reimbursement of Federal loans and grants in the event that grants-in-aid are not provided by the municipality."

URA comment on suggestion

We do not agree that title I of the Housing Act of 1949 should be amended in the manner suggested by the report for the following reasons:

A. To date program experience regarding the provision of local grant-in-aid has been excellent. In our opinion most of the cooperation agreements provided by municipalities are legally binding, enforcible, and do furnish adequate protection of the Federal interest in urban renewal projects. However, as stated in the report, State and local laws make it impossible for some municipalities to enter into legally binding cooperation agreements involving commitments against local funds which are not currently available. Any amendment of title I of the Housing Act which would require legally binding cooperation agreements for the provision of local grants-in-aid would make it impossible for municipalities in this category to participate in the urban renewal program.

B. The position taken by the GAO appears to be based on the belief that the Government is unable to compel the provision of grants-in-aid in the absence of legally binding cooperation agreements as indicated by several references in the report to placing reliance "* * * solely on the good faith of the municipalities."

This is not the case. Our Federal assistance contracts contain several mechanisms designed to assure the provision of local grants-in-aid when required. Initially, special contract conditions are used to obtain adequate commitments from the providing entities. As a condition precedent to the honoring of requisition for loan funds, section 301(B) of our standard form of loan and grant contract requires the submission, if deemed necessary by the regional office, of satisfactory evidence that local grants-in-aid are being and will be provided. A similar requirement exists regarding the making of capital grant progress payments. For example, URA policy usually requires that all cash local grants-in-aid be furnished by the locality before any Federal grant payments are made (Urban Renewal Manual, ch. 17-3). In addition, a serious default in the provision of local grants-in-aid would bring into play all remedies provided for in section 305 of the loan and grant contract, including the right to have a receiver appointed to operate a project for the benefit of the Government.

C. Finally, the Government has the right to refuse to approve subsequent projects in a locality which has failed to meet its obligations in connection with an existing project. Since most municipalities contemplate undertakng several projects, this is a practical incentive for these municipalities to provide their share of project cost.

The report also implies that the Government should become a party to cooperation agreements. Such an action would in no way improve the binding quality of the agreements under State law and would complicate our present situation by violating a pattern of contractual relationships under which the Government deals directly only with local public agencies authorized to undertake projects. Where such local agencies are municipalities, there is a direct commitment to the government in the loan and grant contract for the provision of local grants-in-aid. It should be noted that, in terms of dollars, a very substantial portion of title I activities are being carried out by this type of local public agencies. Where the local public agency and the municipality are separate entities, adequate means, as previously discussed, are available to the Government for the purpose of obtaining the provision of grants-in-aid. Any limited advantage which might accrue as a result of the Government becoming a party to cooperation agreements in these instances would, in our opinion, be outweighed by the legal and practical difficulties of such an arrangement.

Section 305 is as follows:

SEC. 305. RIGHTS AND REMEDIES IN EVENT OF CERTAIN DEFAULTS

(A) SPECIFIC DEFAULT.—If, after the Government has acquired any project temporary loan obligations, or while the Government holds for the special account of the local public agency any project temporary loan obligations under and by virtue of a pledge of any project temporary loan rights of the local public agency as contemplated by section 301(C) hereof, or after the Government has acquired any project definitive loan obligations, or while the Government holds for the special account of the local public agency any project definitive loan obligations under and by virtue of a pledge of any project definitive loan rights of the local public agency as contemplated by section 601(D) hereof, the local public agency, through any action, failure to act, or fault of the local public agency, or of its officers, agents, or employees, defaults in the payment of the principal of or interest on any project temporary loan obligations, preliminary loan obligations, project definitive loan obligations, or project loan payment obligations, or in the performance or observance of any covenants or agreements which are to be performed or observed by it which in anywise affect the security for the payment of the principal of or interest on any project temporary loan obligations or project definitive loan obligations, and such default shall not have been cured or remedied, accordingly as may be appropriate, by the local public agency within 30 days after the Government shall have given written notice of such default to the local public agency, or within such longer period as the Government shall specify in such notice, then, so long as the principal of or interest on any project temporary loan obligations, preliminary loan obligations, project definitive loan obligations, or project loan payment obligations shall remain outstanding and unpaid, the Government shall, to the fullest extent permissible by law, have, as a matter of contract, each of the following rights and remedies:

(1) The right to a writ of mandamus or an injunction or other similar relief against the local public agency or any or all of the members of its governing body or against the officers, agents or representatives of the local public agency, accordingly as may be appropriate because of such defaults;

(2) The right to have a receiver appointed by a court of competent jurisdiction to take possession and control of the project, including the local public agency's interests in all project land, with power in such receiver, so long as shall be necessary in order to cure or remedy (as may be appropriate) such default and any other defaults or breaches of covenants or agreements which may exist affecting project temporary loan obligations, preliminary loan obligations, project definitive loan obligations, or project loan payment obligations, or so long as the court may deem necessary or proper to prevent the recurrence of any such defaults or breaches of covenants or agreements:

(a) To administer, carry on, manage, operate, maintain, complete and/or otherwise deal with the project and/or the local public agency's interests in project land, as may be appropriate, in accordance with the pertinent provisions of applicable law, this contract, and any other contracts by the local public agency relative to the project, project land, and the security for the payment of any project temporary loan obligations, preliminary loan obligations, project definitive loan obligations, or project loan payment obligations hereinbefore mentioned in this subsection (A);

(b) To collect, receive, safeguard, expend, and/or otherwise deal with, handle, and/or apply, in accordance with the pertinent provisions of applicable law, this contract and any other contracts by the local public agency relative to the project, project land, and project activities, all funds available and becoming available to the local public agency for financing gross project cost, net project cost, or any other costs relative to the project, and all funds available and becoming available to the local public agency affecting or pertaining to the security for the payment of the principal of and interest on project temporary loan obligations, preliminary loan obligations, project definitive loan obligations, or project loan payment obligations then or thereafter outstanding and unpaid;

(c) To do and perform any and all such other acts and things relative to the project, project land, project contracts, project financing, and the security for the payment of the principal of and interest on project temporary loan obligations, preliminary loan obligations, project definitive loan obligations or project loan payment obligations then or thereafter outstanding and unpaid as, consistent with the local public agency's obligations with respect thereto and/or with respect to the matters hereinbefore mentioned in this subsection (A), the court may deem necessary or proper; and

(3) The right to maintain any and all actions at law or suits in equity or other proper proceedings to enforce the curing or remedying of any defaults or breaches of convenants or agreements mentioned in this subsection (A).

(B) SUBSEQUENT DEFAULTS.—The Government shall have the same rights and remedies outlined in subsection (A) of this section, under the same conditions stated therein, upon each subsequent default mentioned therein.

(C) OTHER RIGHTS AND REMEDIES.—Nothing in subsection (A) and (B) of this section shall constitute or be construed to be a limitation upon any rights or remedies which may be available to the Government under (i) any project temporary loan obligations or project definitive loan obligations, (ii) any proceedings for the authorization or issuance of any project temporary loan obligations or project definitive loan obligations, (iii) any contract to which the Government is a party with respect to any preliminary loan obligations or project loan payment obligations, (iv) any contract for an advance by the Government to the local public agency with respect to the project, (v) any other contract between the Government and the local public agency relative to the project, (vi) other provisions of this contract, or (vii) applicable law.

(D) WHEN RIGHTS OR REMEDIES NOT WAIVED.—In no event shall the making by the Government of any payment on account of the project temporary loan, any project definitive loan, or the project capital grant, or its acceptance of any project temporary loan obligations or project definitive loan obligations, accordingly as may be contemplated by section 301(C) hereof or section 601(D) hereof, constitute or be construed as a waiver by the Government of any breach of covenant or any default which may then exist on the part of the local public agency, and the making of any such payment by the Government, or its aforesaid acceptance of any project temporary loan obligations or project definitive loan obligations, while any such breach or default shall exist, shall in nowise impair or prejudice any right or remedy available to the Government in respect of such breach or default.

(E) DEFAULT UNDER CERTAIN OTHER CONDITIONS.—If, upon or during the continuance of any default or breach by the local public agency of any covenant or agreement by it referred to herein, the Government holds for the special account of the local public agency: (1) any project temporary loan obligations under and by virtue of a pledge of any project temporary loan rights of the local public agency as contemplated by section 301(c) hereof, the Government may deposit with the paying agent or agents named in the pertinent agreement under which it so holds such obligations an amount sufficient to pay the principal of and interest to maturity on the preliminary loan obligations secured by such pledge, whereupon the Government may declare the project temporary loan obligations so held by it as fully delivered; or (2) any project definitive loan obligations under and by virtue of a pledge of any project definitive loan rights of the local public agency as contemplated by section 601(D) hereof, the Government may deposit with the paying agent or agents named in the pertinent agreement under which it so holds such obligations, an amount sufficient to pay the principal of, premiums, if any, on and interest to maturity (or, in case the project loan payment obligations are callable prior to their maturity, the interest to the date on which such obligations are so callable) on the outstanding project loan payment obligations secured by such pledge, whereupon the Government

may declare the project definitive loan obligations so held by it as fully delivered.

CITIES DEFAULTING

Senator HOLLAND. I think it will be helpful all the way around because it is a known fact that some cities have had to go to Federal court to cut down their total obligation within their ability to pay.

Some of them have even ceased to exist as cities and left an outstanding bond issue.

Therefore, the Federal Government in such cases might easily be relegated to the one asset that was assessable and that is the property itself.

I see it as a possibility but your experience up to now shows that it is nothing that is experienced, at least as yet.

Mr. SEMER. That is right.

Senator MAGNUSON. Any further questions on that?

All right.

HOUSING FOR THE ELDERLY

Now housing for the elderly. That is C in your justification papers.

I think we ought to listen very carefully to the House because it poses this problem.

The House says:

The budget estimate of $100 million to increase the capital in the revolving fund for direct loans for housing for the elderly exceeds the present authorization. To date, $80 million has been appropriated and the 45 recommended in the House bill fully funds the balance of the present authorized program. Legislation to increase the authorization above the present $125 million is still pending.

Mr. WEAVER. That is correct, sir.

Senator MAGNUSON. So that the House amount is all that has been authorized to date.

Mr. WEAVER. That is correct.

Senator MAGNUSON. Now, I know the committee has some questions on this.

Mr. WEAVER. I expect so. And I have a statement on this.

Senator MAGNUSON. All right. Go right ahead.

Before you do, let us put in the record the text of the amendment requested and the full justification.

(The material referred to follows:)

HOUSING FOR THE ELDERLY FUND

(House hearings, pt. 2, pp. 1172–1183)

(1) Page 33, lines 18 through 21, strike out ": *Provided*, That not to exceed $714,000 of the foregoing amount shall be available for administrative and nonadministrative expenses during the current fiscal year." and insert a period.

(2) Page 51, after line 16, insert the following:

"LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES, OFFICE OF THE ADMINISTRATOR, HOUSING FOR THE ELDERLY

"Not to exceed $850,000 of funds in the revolving fund established pursuant to section 202 of the Housing Act of 1959, as amended (12 U.S.C. 1701q et seq.), shall be available for administrative and nonadministrative expenses, but this amount shall be exclusive of payment for services and facilities of the Federal National Mortgage Association, the Federal Reserve banks or any member

thereof, the Federal home-loan banks, and any insured bank within the meaning of the Act creating the Federal Deposit Insurance Corporation (Act of August 23, 1935, as amended, 12 U.S.C. 264) which has been designated by the Secretary of the Treasury as a depository of public money of the United States."

HOUSE REPORT

(Pertinent Excerpts, H. Rept. No. 2050, page 14)

"*Housing for the elderly fund.*—The budget estimate of $100,000,000 to increase the capital of the revolving fund for direct loans for housing for the elderly exceeds the present authorization. To date $80,000,000 has been appropriated and the $45,000,000 recommended in the bill fully funds the balance of the presently authorized program. Legislation to increase the authorization above the present $125,000,000 is still pending. The Committee has approved $714,000 for administrative expenses for 75 jobs on a full annual basis to administer the program."

JUSTIFICATION

Introduction

Section 202 of the Housing Act of 1959, as amended, established a program of low interest rate, long-term loans to private nonprofit corporate sponsors, cooperatives, and public bodies and agencies for rental housing and related facilities for elderly families and persons. Program funds are appropriated from a statutory authorization of $125 million, $80 million of which was appropriated through fiscal year 1962. The current budget program requested an appropriation of $45 million for program activity which would utilize the balance of the statutory authorization, and assumed an additional statutory authorization and appropriation of $55 million. This $100 million of new obligational authority plus a carryover of $13 million will result in a program level of $113 million in fund reservations for the budget year. The budget before the Congress also proposed an expense limitation of $1 million.

It is assumed that the limited administrative funds provided in the House bill resulted from the fact that only $45 million was available for appropriation and that the administrative fund limitation recommended by the House represents a reduced level of new program activity. However, this amount is considered to be hardly sufficient to continue operation of the program at its present level, and certainly will not accommodate the additional expense resulting from the $45 million of new loans which would be provided for under the House bill.

It is also assumed that if the legislation to increase the authorization results in the additional program funds requested, additional administrative funds will be required and a supplemental estimate will be submitted at that time.

BUDGET PROGRAM

In this program, many applicants represent organizations which have had little or no experience in the planning, financing, construction, or management of housing projects. Consequently, the Agency must expend more time and effort in assisting the applicant with the preparation of an acceptable application. The high withdrawal and rejection rate experienced in fiscal year 1962 evidences the amount of assistance required by these applicants. If sufficient funds are made available, more time could be devoted to this type of assistance resulting in a lower attrition rate and a commensurate increase in loan approvals. The table on the following page reflects this shift in program emphasis.

Housing for the elderly

[Dollars in millions]

	Actual, 1961	Estimate, 1962	Actual, 1962	Estimate, 1963
Applications received	149	100	109	144
Processing:				
Withdrawals and rejections	45	30	77	35
Fund reservations (gross)	$28	$55	$49	$112
Fund reservations (net)	$16	$50	$50	$113

The inherent complexities of this program add immeasurably to the administrative burden. For example, in most cases the applicant must be assisted with the intricacies of setting up a corporate structure; credit and conflict of interest checks are more difficult to perform as each board member and officer must be individually checked; each project presents a different zoning problem; and the senior citizen type of tenant requires that the Agency evaluate plans and projects more closely than in many other types of housing projects. In addition, since this program represents an entirely new venture for the Federal Government, policy development is accomplished more slowly than in older programs. This is a costly element but necessary to the achievement of the legislative objective.

Also in this program, project inspection and audit costs—which are often funded separately as nonadministrative expenses—are included in a single expense limitation. This, added to the fact that the typical applicant has had no experience in administering a housing project, increases considerably the postapproval cost. As indicated in the table below, the number of construction starts is expected to rise from 16 in fiscal year 1962 to 67 in fiscal year 1963.

Postapproval activity

	Actual, 1961	Actual, 1962	Estimate, 1963
Loan agreements executed	5	33	76
Construction starts	2	16	67
Construction completions		4	36
Under project management		4	40

Administrative expense requirements

The revised amount of $850,000 included in the budget for administrative and nonadministrative expenses represents the minimum required to administer this program effectively during fiscal year 1963. The amount of $714,000 for 75 jobs on a full annual basis as recommended by the House Appropriations Committee would severely curtail our efforts to assist applicants in developing suitable projects and loans and will result in the accumulation of unprocessed applications.

The construction activity estimated for 1963 stems mostly from commitments made during the preceding years. The Agency must be prepared to make more frequent inspections and provide continuing technical advice to the applicant in order to minimize the possibility of faulty construction. With construction starts estimated to reach 67 during the year, insufficient funds would require less frequent inspection schedules.

Also, most applicants under this program lack experience in property management. The many problems inherent in tenant selection, tenant relations, and the physical maintenance and operations of these projects will require that the Agency provide guidance and advice to assure effective management of these projects. Since these projects will be financed by 100 percent 50-year loans, the Federal Government must be sure that project operations are efficient, at reasonable cost, and in keeping with the objectives of the program, as well as to assure loan repayment.

It is respectfully requested that the Senate amend the pending bill to raise the limitation on administrative and nonadministrative expenses to $850,000. The funds requested are $136,000 above the figure recommended by the House.

(2) *Technical amendment*

This amendment is purely technical in character, and is intended solely to make the bill more uniform as to the matters provided for in title I and title II, respectively.

Title I of the bill contains appropriations of program funds, and appropriations for administrative expenses for those programs so financed. Title II contains paragraphs establishing limitations on administrative expenses for the various revolving funds, where administrative expenses are drawn from the funds themselves. These include the revolving funds for college housing loans, public facility loans, and liquidating programs, and other revolving funds not under the Office of the Administrator.

Loans for housing for the elderly are made from a revolving fund established by section 202 of the Housing Act of 1959. Capital for the fund is provided by

appropriations, and an appropriating paragraph for this purpose would remain in title I of the bill. Administrative expenses, however, are paid from the revolving fund. This amendment would place the limitation on such expenses in title II, together with the similar limitations on other revolving funds. The amendment has no other effect, except to exclude from the limitation the costs of fiduciary services of the Federal Reserve banks and similar institutions, as is provided in the language covering the other revolving funds referred to above.

HOUSING FOR THE ELDERLY FUND

Mr. WEAVER. This appropriation finances a revolving fund for direct loans for rental housing for elderly families and individuals. I am delighted that the House recommended the appropriation of $45 million for this purpose—the full amount remaining of the authorization under existing law. However, we hope your committee will increase the limitation on administrative expenses for the conduct of this program by $136,000. In addition, we wish to strike out the proviso at this point and insert similar language at a later point in the bill. This is purely a technical matter, which I will ask our budget officer to explain.

The budget request for staff expenses for fiscal 1963 was $1 million and the House bill contains a limitation of $714,000. We fear that this is much too restrictive for the conduct of this program. In effect, it allows no increase in present staff. We are dealing with many organizations and individuals that are not as sophisticated in planning, developing, or financing housing projects as are applicants in many of our other loan programs. Yet, we are authorized to make them 100 percent, 50-year, low-interest rate loans, and we feel that we must examine each case carefully to assure that the purposes of the program are achieved without unreasonable risk to the Government and with full protection of the basic interests of our elderly citizens themselves.

The amendment requested would raise the House figure to $850,000—an increase of $136,000 over the House bill, but $150,000 less than the original budget estimate. We feel that this amount would provide the minimum necessary staff for the conduct of the program under the existing authorization and appropriations. Should pending legislation to increase the statutory authorization be enacted and additional appropriations provided, it may well be necessary later in the fiscal year to propose an increase in this limitation.

UNITS PROVIDED

Senator MAGNUSON. How many units have so far been provided for elderly housing under this program, up to date, or as your last figures?

Mr. WEAVER. You mean under contract or completed? The program just started, you know.

Senator MAGNUSON. I know that.

Mr. WOOLNER. There is $80 million appropriated.

Senator MAGNUSON. How many units?

Mr. WOOLNER. Within that $80 million?

Senator MAGNUSON. Yes.

Mr. WOOLNER. There is no authorization in terms of units.

Senator MAGNUSON. I know, but I want to know how many units have been supplied to date, how many under contract to be supplied?

Mr. WOOLNER. The applications filed to date total 27,387 units, of which there have been withdrawals and rejections of 12,981, leaving a balance of 14,426.

Of this number, fund reservations have been made for 5,830 units. Loan agreements have been executed for 2,836 units. There are completed 168 units. There are still under review projects——

Senator MAGNUSON. I want to know how many you have got to date, either under construction, completed, or contracted for.

Mr. WOOLNER. All right.

There are completed, 168.

There are under construction, 854.

There are under executed loan agreements, 2,856.

Senator MAGNUSON. What is the total of that?

Mr. WOOLNER. The total of that would be approximately 3,900.

Senator MAGNUSON. 3,900 units.

Mr. WOOLNER. That is right.

AVERAGE COSTS

Senator MAGNUSON. What is the average cost per unit?

What we are trying to find out is how much this cost us to put an elderly couple in a place.

Mr. WOOLNER. Yes.

The average for the first 49 fund reservations was approximately $10,600 per unit.

Senator MAGNUSON. Per unit?

Mr. WOOLNER. Yes, sir.

Senator ALLOTT. $10,600.

Senator MAGNUSON. Now, how many units from your experience so far would the whole program provide when you reach the end?

Mr. FRANTZ. Under the $125 million authorization?

Senator MAGNUSON. Yes. When we give you the amount to contract, spend, $125 million, how many units would that——

Mr. WOOLNER. Approximately 12,000.

Senator MAGNUSON. Based on what?

Mr. WOOLNER. On $10,600 average cost per unit.

Senator MAGNUSON. This, I assume—I don't know how you evaluate this, but I assume you are talking about two people using it?

Mr. WOOLNER. Well, this might be a single person in an efficiency or two people either in an efficiency or one bedroom unit.

Senator MAGNUSON. But it wouldn't go beyond?

Mr. WOOLNER. It wouldn't likely.

Senator MAGNUSON. You might occasionally have three but it wouldn't go beyond?

Mr. WOOLNER. There are a very small number of two bedroom units.

Senator MAGNUSON. It would be in that figure?

Senator ELLENDER. Does your average take in two beds?

Mr. WOOLNER. Yes.

SQUARE-FOOT COSTS

Senator ALLOTT. What have you found to be the cost per square foot on these units?

Mr. WOOLNER. I don't believe I have an up-to-date cost per square foot.

We have a median cost of $12.50.

Senator ALLOTT. A median of $12.50.

INTEREST RATES

You mentioned the low-interest rate. I would like here the interest rate at which this is repayable.

Mr. WOOLNER. Currently it is 3½ percent. It was last year 3⅜ percent.

Senator ALLOTT. How does it happen that it is lower this year?

Mr. WOOLNER. No, it is higher.

Senator ALLOTT. Oh, it is higher this year than it was last year?

Mr. WOOLNER. Yes.

Mr. FRANTZ. The interest rate is fixed on July 1 for a full year, under the law.

Senator ALLOTT. That accounts for the rates.

Mr. WEAVER. Yes, sir. We just made them.

Senator ALLOTT. I will defer to the senior Senator from Florida.

Senator HOLLAND. Mr. Chairman, I have quite a number of questions, some of which will bring out facts that I think have been placed in the record, but I think it would be better to hold them together.

The reason I have this number of questions is because there has been great concern in my State where we do have some hundreds of thousands of elderly people who are retired and have minimal incomes.

We are trying to assist them and one of the great difficulties is in getting anything underway.

These are the questions that I think might be answered by figures.

PROGRAM HISTORY

How long has this program been effective?

Mr. WEAVER. It started in 1959 but actually de facto in 1960.

Senator HOLLAND. How much has been authorized?

Mr. WEAVER. $125 million.

Senator HOLLAND. How much has actually been appropriated?

Mr. WEAVER. $80 million.

Senator WEAVER. And this bill proposes to appropriate the rest of the authorization?

Mr. WEAVER. That is right.

Senator HOLLAND. How many elderly people are now under shelter as a result of direct loans?

Mr. WEAVER. Mr. Woolner will have to give you that.

Mr. WOOLNER. There are 168 units completed.

Now, I don't know that I can give you the exact relation——

Senator HOLLAND. My builders estimated it around 200. Is that closely in accord?

Mr. WOOLNER. It might be that, or a little higher. Some of these just came into occupancy.

Senator HOLLAND. But the 168 units that you have testified to earlier is the total completed?

Mr. WOOLNER. As of this date; yes, sir.

PROGRAM STATUS

Senator HOLLAND. How many commitments involving how many dollars and how many units are now outstanding?

Mr. WOOLNER. There are under construction 854 units, for a total of $9 million. There are executed loan agreements for 2,856 units or a total of $31,600,000.

A total in those two categories of about 3,900 units and $40,600,000.

Senator HOLLAND. When will they be completed? That may not be possible to answer.

Mr. WOOLNER. It is a little difficult to answer that question directly, Senator Holland.

Senator HOLLAND. For instance, those 854 that are now under construction, can you estimate the average time that they will be completed?

Mr. WOOLNER. Yes, I would judge that probably half of those will be completed within the next 3 months and all but perhaps one or two within a total of 6 months from now.

We have estimated that there would be 67 construction starts during this fiscal year of 1963 and there would be 36 completions.

Now that would include, of course, not only those under construction and the units under loan agreement, but would also be some portion of those projects for which initial fund reservations have been made but for which we have not yet executed loan agreements.

ACTUAL CONSTRUCTION COMPLETIONS

Senator HOLLAND. I am looking at page C–3 of your justifications.

I understand that the figure "4" construction completions, actual 1962, indicates that the 168 units which you had completed at the end of that year come within four projects?

Mr. WOOLNER. That is right. They average around 45 units apiece.

Senator HOLLAND. Can you place in the record the places where those four——

Mr. WOOLNER. I can give it to you right now, Senator.

MENLO PARK, CALIF.

Menlo Park, Calif., 30 units.

Would you like the Federal loan amount in each instance?

Senator ALLOTT. Would you yield at that point?

Senator HOLLAND. Yes.

Senator ALLOTT. Off the record.

(Discussion off the record.)

Senator HOLLAND. What is next?

Mr. WOOLNER. I did not give you the number of tenants in that.

I will have to give this to you by type of units: 22 efficiencies and eight 1-bedroom.

I don't know that we can give you in all instances the exact number living in efficiencies. It could be one or two.

Senator HOLLAND. That is one contract.

What is the second one?

SHREVEPORT, LA.

Mr. WOOLNER. The second one is Shreveport, La., a 62-unit project, consisting of 48 efficiencies, twelve 1-bedroom and two 2-bedrooms. The amount of the Federal loan is $660,513.

KUNDIG CENTER, DETROIT, MICH.

The third project is Kundig Center in Detroit, Mich. The loan amount is $160,000 and there are twenty-six 1-bedroom. This is scarcely a bedroom. It is a room and an alcove.

The fourth project is for——

Senator HOLLAND. What was the amount?

Mr. WOOLNER. I am sorry, sir. The amount was $160,000.

I might explain that in this instance there is no dining facility in the Federal project. The sponsor has a going program and had a dining facility in the community center already built.

Mr. WEAVER. He also had a theory that it was important for these people to walk from where they were living to where they would eat for exercise.

CORDELL, OKLA.

Mr. WOOLNER. The fourth project is Cordell, Okla.—the Cordell Christian Home Corp. The amount of the Federal loan is $400,000. It is a 50-unit project with 18 single and 32 double units.

Senator HOLLAND. Now the principal question in my State has arisen because——

Senator MAGNUSON. There seems to be a coincidence here that three of them are in Louisiana, Oklahoma, and Florida.

Senator HOLLAND. None in Florida.

Mr. WOOLNER. No. There is one in California.

Senator MAGNUSON. Off the record.

CONVERSION OF EXISTING FACILITIES

Senator HOLLAND. May I say as a predicate to my next question that the largest complaint we have had is the difficulty of getting approved any application for the conversion of existing facilities.

Have you got any elderly people now in any converted facilities?

Mr. WEAVER. No, sir; not in this program.

Let me say in this connection that it has been our feeling that while we do not bar conversions, we feel this should be used primarily for new construction on the basis that you would add to the economic strength of the country and it seemed that the legislative history would suggest that it would be the proper emphasis.

So, that we have definitely given a push to and have given preference to new construction in these programs.

UNDERSTANDING OF INTENT OF CONGRESS

Senator HOLLAND. That brings on the next question.

Since all efforts and appropriations have been spent on building new facilities and none on converting existing facilities, did you construe the intent of Congress to make work by new building construction, or rather to provide immediate and adequate housing for the elderly?

Mr. WEAVER. I think we thought it was primarily to provide housing for the elderly primarily in new construction, rather than through conversion.

Let me say, sir, we do have projects which involve conversions.

As a matter of fact, the law specifically says they should be considered and we are having them proposed.

There are several problems here. The first problem is that as long as a very important part of our evaluation of these projects has to do with the site, and many of our conversion proposals come from outlying areas where it is very dubious that this is the proper place to put our senior citizens.

There are problems of land cost and of the price that the people want for the land whether or not this is sound.

And I think there are a tremendous number of problems which relate to conversions that make it rather difficult to process them in accordance with what we consider sound regulations.

This doesn't mean all conversions are in this category but it does mean there are quite a few problems here.

CONVERSIONS VERSUS BUILDING COMPLETIONS

Senotor HOLLAND. How much sooner could you have made conversions available rather than to complete new buildings?

Mr. WEAVER. May I ask—and I will ask Mr. Woolner to answer that, but I would like in order for my own clarification and the record, when we speak of conversion, Senator, do you mean conversion, Senator, from a 231, which is section 231 of FHA, which is a project designed for elderly specifically, but financed with FHA funds, or the conversion of a 608, which was not designed for elderly or of a hotel which was not designed for elderly, to elderly persons?

Senator HOLLAND. Well, from my State, applications have come up, as I understand it, in all three of those categories, but quite a good many of them have had to do with moderate priced hotels located in centers of population where there wouldn't be any question of accessibility, and we have been able to get no approval at all, as I understand it, of any such applications.

Is that correct?

Mr. WEAVER. Yes, sir.

Senator HOLLAND. What is the reason for that?

Mr. WEAVER. Under section 231 of FHA, we have a rather lively business in conversion of these hotels in all parts of the country, and we feel this should be primarily the vehicle for conversions, rather than the section 202 program which we feel was intended primarily for new construction.

QUESTION OF COMMITMENT SOLELY TO CONSTRUCTION

Senator HOLLAND. Where do you find in the bill anything directing your commitment solely to new construction?

Mr. WEAVER. I think it is in the legislative history rather than in the bill itself.

Senator HOLLAND. Would you supply that for the record?

Mr. WEAVER. Yes, sir.

(The information referred to follows:)

The foregoing testimony was not intended to assert that either the statutory language or the committee reports or the debates contain language which could be construed to require that the direct loan program be limited to new construction. Quite the contrary, the statutory language specifically authorizes use of facilities provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for proposed dwelling use by elderly families and persons. The statute provides sufficient flexibility to enable the Agency in proper circumstances to permit use of existing structures.

However, the Agency believes that the administrative position we have taken (i.e., that at the present time and in the present circumstances the direct loan program should be limited to new construction) is consistent with the congressional intent governing the basic purposes of the direct loan program.

At present, the direct loan program is limited by the authorizations and appropriations enacted by the Congress. Active applications for direct loans are greater in volume than funds available.

In these early years of its existence, the direct loan program is basically a pilot type experimental program. In the early stages of this program, each project is expected to provide an addition to the total supply of housing suitable for the elderly and an opportunity for developing new and better solutions to the problem of providing good housing at low costs for the lower middle income elderly people who occupy the housing made available by this program. New construction offers the best opportunities to use new materials, construction methods, and design innovations unhindered by limitations that might be imposed by the characteristics of existing structures.

In these circumstances, concentrating the funds available upon new construction is necessary to insure that the program will increase the total amount of suitable housing available for the elderly, and that the limited funds of the program are not used to relieve owners of existing properties of old, deteriorating structures at inflated prices.

As we gain more experience with the program and have a greater amount of funds available for use, it may become feasible to make loans for the conversion or rehabilitation of properties. However, at the present time, with the limited funds available, the Housing Agency feels that it can best serve the ends sought by Congress when it enacted this program by administratively limiting the program to new construction.

For those who presently seek assistance for rehabilitation or conversion of properties for use by the elderly, the FHA section 231 program provides an existing alternative.

PLANS AND SPECIFICATIONS

Senator HOLLAND. New buildings, of course, require plans and specifications, land planning, land purchases, building and zoning problems, construction time, paving, and so forth, many of which are not involved in conversion of standing buildings, are they not?

Mr. WEAVER. Yes.

Senator HOLLAND. So the very nature of the thing in conversion could be accomplished much more quickly than building new construction?

Mr. WEAVER. Providing the building lends itself to conversion, Senator. Some of these hotels do not. Their corridors are not wide enough. They cannot be fireproofed adequately, and there are many other technical reasons why they cannot be converted economically or feasibly for this purpose.

Senator HOLLAND. Any existing hotel structure in Florida has to be fireproof. It has to have the facilities you speak about and several of them, as I know, have applied for approval of the loans under this and have not been able to secure them.

Mr. WEAVER. Mr. Woolner.

ONE PROJECT REACHING APPLICATION STAGE

Mr. WOOLNER. I am aware of only one which actually reached the application stage, Senator.

I am sure there were a number of inquiries.

Senator HOLLAND. Is not this additional time——

Senator ELLENDER. Would you mind?

Senator HOLLAND. I have only a few more.

Senator ELLENDER. Would you mind stating what happened to the one in which the application was made?

ADMINISTRATIVE POLICY ON CONVERSIONS

Mr. WOOLNER. The application was rejected because of an administrative determination within the agency that we would not approve projects for conversion.

Senator HOLLAND. That is a complete decision, would not approve any projects?

Mr. WOOLNER. That is correct. Would not approve any.

Senator HOLLAND. I thank you for raising that.

I gathered from your earlier testimony that you simply were preferring new projects but were not banning conversion.

What about that?

Mr. WEAVER. Well, this is a timing problem. It seems to me that one of the questions that has come up in one of the hearings on this, which I will be happy to submit, is a proposal which would put in the law a restriction only to new construction.

This I have opposed on the basis that we need flexibility, but I have taken the position that, with the limited amount of funds now available in this program, we should give preference, and now the preference is an absolute preference but if we had more money and the program moved differently we might change it.

It isn't an ironclad one at all times.

Senator HOLLAND. In other words, to get any buildings converted, we will have to make available more than $125 million, is that it?

Mr. WEAVER. This policy was designed for that purpose, Senator.

Senator HOLLAND. The next question you have already answered: How many of any possible new funds appropriated do you intend to use for utilization of existing facilities, and your answer would be, of course, that until there is more than $125 million you do not intend to use any of them, is that correct?

Mr. WEAVER. As of now.

Senator HOLLAND. Was it your intent to put under construction as many as possible——

Mr. WEAVER. A combination of both. I think we probably would make it a different mix but we feel as of now we ought to be concerned with new construction primarily.

Senator HOLLAND. I thank you for your frankness.

FHA PROGRAMS FOR THE ELDERLY

Senator MAGNUSON. Could I ask you one question to clear up a little in my mind?

There are many places being built—I know out in my town, my area, Puget Sound, hotels for the elderly, and they get a straight FHA loan, don't they?

Mr. WEAVER. Yes, sir.

Mr. HARDY. There are two projects in Seattle.

Mr. MAGNUSON. I am just trying to get—you can do down, if I wanted to build a project for the elderly, I could go down and make application for a regular FHA loan.

Mr. HARDY. That is correct.

Senator MAGNUSON. There is a great deal of that going on, isn't that correct?

Mr. HARDY. As a matter of fact, we have 162 projects with 22,311 units involving total mortgages for $322,734,124.

Senator MAGNUSON. And some of those could be in the high-class bracket, some medium, but this is a different program in a different concept.

Mr. WEAVER. There is even more diversity than that.

Some of them are profit-oriented operation, some of them are limited profit corporations, also some are new construction, and many are conversions.

This is where we have concentrated our conversion—in this particular program, and we have many conversions under the FHA program.

Senator MAGNUSON. Because there are some that are very costly but they have the tenants.

Mr. HARDY. That is correct.

Senator MAGNUSON. There is one of the most beautiful apartment houses, I think, in Seattle up on Queen Anne's Hills for the elderly. But they went out and got the tenants I suppose under contract or something or cooperative arrangements, but that is a different program as I point out than this one.

Mr. WEAVER. Absolutely.

Senator MAGNUSON. You have got a lot of applications in that field and you are quite active in that field.

Mr. HARDY. It is a very active and very successful program.

PUBLIC WORKS ASPECTS OF ELDERLY HOUSING PROGRAM

Senator ALLOTT. Mr. Chairman, I must say that I am a little concerned about the public works aspect of this program which you have described; so that it will be on the record, I have had many applications for help from my own State concerning conversions and I think if you will just check your records very carefully you will find no further correspondence from my office in those cases other than letters advising me the reason the application was rejected; in other words I have never urged one because I know these places and I don't think they are suitable for conversion. I do not regard this as a public works program.

To me, the only justification for this program is housing for the elderly and whether or not they need work in that particular area or not is, I must say, as far as the Senator from Colorado is concerned, is completely immaterial.

If I thought this was a public works program, I would get on the floor and try to take it completely out of this bill. I make no bones about that. I am interested in the elderly.

Now, a lot can be done. As I say, I have not supported many of these applications from Colorado which I considered without merit because the places would never be satisfactory for one reason or another.

On the other hand, at Brush, Colo., I visited last summer, last fall, a motel which had been built by a man. He converted it himself to housing for the elderly and accommodates, I believe, about 50 people there. I think you would have trouble finding a finer project of this type, anywhere in the United States, even though this for a little town of 2,000.

It lies next to Fort Morgan, which is 8,000. Sterling which is roughly 15,000 is 25 miles away.

You would have trouble finding any institution anywhere better run with more adequate, clean, attractive, charming facilities than this little converted motel.

I don't want this thing to pass. I know that there are problems. You have everyone who has some old building and wants to promote it trying to convert it.

I am completely aware of these problems. Such projects have been urged upon you from many areas, but this is not a public works program. This is housing for the elderly.

HEALTH PROGRAMS FOR THE ELDERLY

Mr. WEAVER. Senator, may I say that I think in order to appreciate where we stand in this, we have to realize that this is one of three programs and the smallest of the three, that we have for housing for our senior citizens.

The largest program we have in numbers is public housing where we are now building about 50 percent of the new units for our senior citizens, and this is obviously where most of the demand is for older people.

Secondly, in size and expenditure is our FHA program under section 231. Now, this program is quite different in its coverage. It has loans to elderly people for sale, any amount, within the FHA regulation. It has rental housing which can be profit sponsored; that is, sponsored by a profitmaking organization. It can be very costly. It has limited profit, nonprofit housing which can be sponsored by a nonprofit group or limited profit group.

Senator MAGNUSON. Fraternal organization?

Mr. WEAVER. Fraternal organizations, among others.

PROGRAM OPERATIONS

Now we have used this program, particularly the nonprofit part of it, for conversions, first, because FHA has a tremendous amount of know-how to deal with just the types of very difficult problems you are talking about.

Second, because they have a larger amount of funds and there is less limitation on their activities and they would be in this limited program we have for the direct loans.

We have then taken the direct loan program, not so much as public works but as a matter of increasing the supply of housing which is a very important concern of ours and augmenting the number of new units and desirable units and we have felt with that limited amount of money this should be the emphasis and at the present time the sole activity of this particular one of the three programs.

We are not against conversion. We don't oppose conversion. We work on conversion but we work on it with a program that we think among our kit of tools is the best adapted and the most logical to deal with that particular problem.

Senator ALLOTT. Well, I sincerely hope this doesn't mean this program is going to be limited to new construction even though I realize, as I have stated, the difficulties you can encounter converting old buildings.

I would like to ask you this: In our previous discussions with you, I guess last year, there was considerable discussion about the re-

search elements for finding what are adequate homes, adequate types of coverage for these people. What has been done in this area, whether it is under this specific program or not? Where are we and where is that program?

Mr. WEAVER. We have done several things. The first thing, one of the programs that we have accomplished in our studies has been the study of the senior citizens which was based on assistance from the Census Bureau.

Then I have established in my office a new officer, a Division of Housing for the Elderly, and have appointed to that office Mr. Sidney Spector, who is a person who has had years of experience—in fact, worked with the Senate on this particular problem—and through him we are constantly in touch with all of the activity that is going on.

And I might say this is a field where there is quite a bit of research going on independent of anything the Government is doing.

For example, Cornell is doing a great deal, and so are Michigan and other places. So, what we have been doing here is to try to keep in touch with what is being done, to keep informed of the new progress that is made, and to make this available, first, to our own staff, and, second, the people we deal with.

One of the problems in this direct-loan program, as I pointed out, is the fact that many of these officials are not as efficient technically as most of the people who come to us.

So, we have to give them a lot of technical assistance and a lot of information and know-how. This we attempt to do—first, through Mr. Spector's office, and then through Mr. Woolner's administration, as we deal with these sponsors.

STAGE OF HOUSING CONSTRUCTION FOR ELDERLY

Senator ALLOTT. Wouldn't you agree, Mr. Weaver, that at the present time, considering all the work that has been done in this area by thousands of architects, by the researchers at Cornell and other places that you have mentioned, that as far as the know-how of constructing housing for the elderly that we are in a pretty advanced stage in this country?

Mr. WEAVER. Well, I wouldn't go quite that far, Senator. I think we are much further advanced than we were before.

The one difficulty about this field—I guess it is like many others, but it strikes me because I am new to it—is the difference of opinion between the experts.

PROGRAM PROGRESS

You have a lot of information, but it doesn't add up. You are not adding 2 and 2. You are adding 2 and −4, and sometimes you come out with you don't know what, but I do think we are getting a lot more information, a lot more thinking.

I don't believe we have come to the answers to too many of the real problems. Just a matter of location, site, size of units, all of these things. You get almost as many answers as you have experts.

On design, I think we have made some progress. Yet there are a lot of controversial issues. One I can delineate: Do you design the kitchen equipment for the needs of the elderly person, or do you design for the needs of somebody who may come in and assist the elderly

person? This is a philosophical difference that the experts are just split right down the middle on.

I hope we don't end up by designing it for neither one, but these are some of the problems that are here and I only say we are making progress but I don't think we have got the answers the way I would like to see them.

Senator ELLENDER. Do they agree that the cost per unit is greater when they are designed primarily to take care of the elderly?

Mr. WEAVER. Definitely. This is in the literature and well established.

ANNOUNCEMENT OF CONVERSION POLICY

Senator HOLLAND. Mr. Chairman, I would like to ask one more question: Has the announcement been made definitely prior to today that out of this present authorization for housing to the elderly there will be no approval of any conversion projects? I haven't heard of it and I have handled with the offices several applications and I never got any such reply from anyone.

Mr. WEAVER. Mr. Wollner.

Mr. WOLLNER. All of our regional offices have been so advised, Senator.

Senator HOLLAND. There would be no loans for conversion?

Mr. WOOLNER. For conversion starting.

Senator HOLLAND. Under this?

Mr. WOOLNER. Yes, sir.

Senator HOLLAND. How was that announcement made? There seems to be a great many people in my State who didn't know it, including one of their Senators, at least, because I didn't know about it.

Mr. WOOLNER. This was advice given to the field when the program was decentralized back in November.

Senator HOLLAND. Do you have any regulation or ruling in your home office that so indicates?

Mr. WOOLNER. I can supply you with that; yes, sir.

Senator HOLLAND. Will you place that in the record, showing the date and all about it?

Mr. WOOLNER. Yes, sir.

(The material referred to follows:)

In September 1961 the Agency issued a fact sheet on the program of Federal loans to finance housing for elderly persons of moderate income entitled "Senior Citizens Housing Program—Direct Loans." On page 2 the following policy statement in regard to conversion appears:

"Loans may also be made to rehabilitate, convert, or improve an existing structure presently unsuitable for its intended use, where such activity is undertaken in conjunction with new construction which appreciably increases the project capacity."

In March 1962 the Agency issued a revision of this fact sheet entitled "HHFA Program Guide—Senior Citizens Housing Loan Program—Information for Applicants." On pages 2 and 3 the following statement appears:

"Under the law, eligible housing and related facilities may be provided through new construction or through the acquisition and rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for proposed dwelling use by elderly families and persons. Loans cannot be approved for projects already placed under construction or for which other permanent financing has been arranged except as provided in section 201(d) of the Housing Act of 1961. *For the present, loans are being made only for new construction.*" [Emphasis supplied.]

COLLEGE HOUSING LOANS

Senator MAGNUSON. The next item is "College housing loans."

I read from the House report:

The committee recommended $1,800,000 for administrative expenses for this program.

This is the full year cost of 190 positions, but it is $100,000 less than the budget estimate and $200,000 less than the amount of limitation put in the bill last year.

Now, I understand that you can get along with that $1,800,000, although I do want to ask this question:

This is a pretty lively program. And this is one of the biggest programs, I think we have in this whole thing, because we don't need to worry about foreclosures and things like that in this program.

I am wondering if that isn't enough, personally I would feel you should have enough for administrative expenses to carry out this program.

I don't think there have been too many delays but there have been some and you run into college years and you run into zonal building and you run into different decisions made by other bodies in this particular case. And I wanted to be sure that this is enough to carry it out.

Mr. FRANTZ. I guess the situation, Senator, is that $1,800,000 is a little tough, but you can always be a little more efficient and we are willing to try at that figure.

Senator MAGNUSON. All right, because, as I say, this is really a lively program and it has really done a lot of good.

Mr. WEAVER. It is a pleasure to administer it.

Senator MAGNUSON. Any questions on that?

I want to ask, you still are receiving applications for junior colleges?

Mr. WOOLNER. Yes, sir.

PUBLIC FACILITY LOANS

Senator MAGNUSON. Next is public facility loans and that is on page E on your justification slip.

We will insert the text of the amendment you have requested and your justification in full at this point in the record.

(The material referred to follows:)

LIMITATION ON ADMINISTRATIVE EXPENSES, OFFICE OF THE ADMINISTRATION, PUBLIC FACILITY LOANS

Estimate, $1,200,000. Proposed by committee, $1,100,000. In act, $1,100,000

(House hearings, pt. 2, pp. 1193–1202)

Page 51, line 19, strike out "$1,100,000" an insert in lieu thereof "$1,200,000", the estimate, and an increase of $100,000 above the amount allowed by the House committee.

HOUSE REPORT

(Pertinent excerpts, H. Rept. No. 2050, p. 14)

"*Public facility loans.*—The bill provides $1,100,000 for administrative expenses in connection with the program of loans to finance construction of public works projects. This is $250,000 less than the budget estimate and an increase of $50,000 over the current allowance. It provides salaries and expenses for 115 employees on a full annual basis."

JUSTIFICATION

The public facility loan program, authorized by title II of the Housing Amendments of 1955, as amended, was enacted to assist State and local governments or their agencies to finance construction of specific public works projects. Financed by a statutory borrowing authorization of $600 million, the program is designed primarily to assist small municipalities which are unable to market their local obligations at reasonable rates to finance basic public works for which there is an urgent initial need.

Much of the increased activity for fiscal 1963 stems from enactment of the Housing Act of 1961 which increased the borrowing fund authorization for public facility loan by $450 million, established a statutory formula for the interest rate determination made by the Administrator, and provided a statutory limitation on communities eligible under the program at 50,000 population (but up to 150,000 in redevelopment areas as designated under the Area Redevelopment Act).

The basic interest rate for these 40-year loans durings fiscal year 1963 has been established at 3¾ percent.

There has been considerable increase in program activity during the past fiscal year. For example, applications received during fiscal year 1962 were considerably more than double those received during the previous year—330 applications in 1962 compared with 140 in the year before. The number of net loan approvals was triple that of 1961 and it is reasonable to assume that this high level of activity will continue through the budget year.

As indicated in the table below, key workload activity occurring during fiscal year 1962 exceeded original estimates by a very wide margin and will increase further during fiscal 1963.

Public facility loan program

	Actual, 1961	Estimate, 1962	Actual, 1962	Estimate, 1963
Applications received	140	330	330	330
Processing:				
Withdrawals and rejections	43	65	61	80
Loans approved (gross)	86	180	221	250
Loans approved (net)	63	150	194	225

Postapproval workload resulting from this increase in program activity is shown in the following table. As indicated, bond proceedings underway at the end of fiscal year 1962 totaled 148. This represents a significant and unexpected carryover of postapproval workload into the budget year. Also, the cumulative effect of the sizable increase in the number of bond issues held by the Agency will require increased emphasis in the loan-servicing area.

Postapproval workload

	Actual, 1961	Estimate, 1962	Actual, 1962	Estimate, 1963
Construction:				
Starts	63	100	105	215
Completions	66	88	62	207
Bond proceedings:				
Bond proceedings initiated	59	149	166	250
Cases canceled after initiated	15	30	15	25
Bond purchases completed	45	112	78	227
Proceedings underway end of year	75	82	148	80
Bond issues held by agency	250	362	328	589

Administrative expense requirements

Adequate staff for processing these public facility loan cases is very essential. More than three-quarters of the applications are coming from towns of less than 5,000 population, with limited financial resources, no technical staffs, and little experience in planning, building, or operating public facilities. We are charged under the statute with making the determination that these loans "shall

be of such sound value or so secured as reasonably to assure retirement or repayment," and in the process of arriving at such determinations, Agency technicians must work with the community representatives to develop an acceptable project and fiancial plan. Because of the limited experience and technical skill of many of these applicants, this is often a lengthy and tedious process at best.

On the basis of present trends it would appear that our forward estimates of the volume of activity—estimates which were made quite some months ago—are probably on the low side for fiscal 1963. Thus, there is every reason to believe that all the additional positions requested in the budget estimate will be needed to do an adequate job of processing public facility loan applications.

Restoration of the full amount of the expense limiation of $1,200,000 proposed in the budget is recommended, so that the Agency will be able to employ the staff necessary to meet the budgeted workload levels without lengthening processing time and without reducing the level of technical assistance rendered to applicant communities.

PUBLIC FACILITY LOANS

Senator MAGNUSON. In that case, the House bill provided $1,100,000 for administration and this is $250,000 less than the budget estimate, but an increase of 50 over 1962, I suppose, provides expenses for 115 employees. You are asking for restoration of $100,000 for a total limitation of $1,200,000—the amount of the budget estimate.

Now, do you have something to say about that?

Mr. WEAVER. Yes, sir.

Our budget estimate of $1,200,000 was reduced in the House bill to $1,100,000 and we are suggesting that the bill be amended to provide the full limitation requested.

Since the enactment of the Housing Act of 1961, which lowered interest rates charged borrowers and increased the loan authorization, there has been a considerable expansion of demand for financial assistance for the construction of local public works through this program. For example, during the fiscal year just closed 330 communities sought loan assistance, compared with only 140 applicants the year before.

ADEQUATE STAFF ESSENTIAL

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Senator MAGNUSON. All right. I think we understand.

Any questions on that item?

FEDERAL HOUSING ADMINISTRATION

The next one is your limitation on administrative and nonadministrative expenses.

That is on page F–1—that is FHA.

Before you go on with your statement, Mr. Weaver, let me state for the record that on administrative expenses the budget estimate was $10,800,000 and the House allowed $9,500,000. This is $1,300,000 less than the estimate and $300,000 less than the amount available for fiscal 1962. You are asking this committee to restore $1,300,000 for a total of $10,800,000—the amount of the budget estimate for 1963.

The limitation on nonadministrative expenses for the Federal Housing Administration appears in the House bill at $62 million. This is $9,400,000 less than the budget estimate of $71,400,000 and $2,650,000 under the amount available for fiscal 1962. Now, here you are asking for partial restoration—$5,500,000 for a total limitation of $67,500,000. This is still $3,900,000 less than the budget estimate for 1963.

Let us put in the record at this point the amendments requested for FHA administrative and nonadministrative expenses and the full text of the justifications you have submitted.

Also, I understand that Commissioner Hardy has a statement which should be included here to make the record complete.

(The material referred to follows:)

FEDERAL HOUSING ADMINISTRATION

LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES, FEDERAL HOUSING ADMINISTRATION

ADMINISTRATIVE EXPENSES

(Estimate, $10,800,000; proposed by committee, $9,500,000; in act, $9,500,000)

(House hearings, pt. 2, pp. 1218–1272)

Page 53, line 24, strike out "$9,500,000" and insert in lieu thereof "$10,800,000", an increase of $1,300,000 above the amount allowed by the House committee.

HOUSE REPORT

(Pertinent excerpts, H. Rept. No. 2050, p. 15)

"*Federal Housing Administration.*—An authorization of $9,500,000 is recommended for administrative and $62,000,000 for nonadministrative expenses related to processing workloads of mortgage insurance applications, or a total of $71,500,000. Administrative expenses have increased from $8,031,000 in 1960 to $8,844,000 in 1961, $9,800,000 in 1962 and $10,800,000 requested for 1963. * * * The agency is becoming a little top heavy in its estimates. The increase in workload doesn't justify the increased request in appropriations. The agency did not require the full authorizations in 1962 and the Committee will expect more economy in 1963."

FHA ADMINISTRATIVE EXPENSES

JUSTIFICATION

Introduction

The FHA budget estimate for fiscal year 1963 administrative expenses presented to the House Appropriations Committee is $10,800,000—an increase of $1 million over the 1962 limitation. This increase is required by increases in workloads and costs of operation related to the 9-percent growth in insurance in force, the continuing implementation of the Housing Act of 1961, the provision of adequate administrative services to FHA field offices and central office staff,

and the automatic data-processing system. A detailed discussion of these items will be presented below, following an examination of the effects of the House bill on administrative staff and expenses.

Growth in insurance in force

	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963 estimate
Mortgages	2,982,095	3,191,515	3,400,000	3,700,000
Amount (in billions)	$30.7	$34.1	$38.4	$43.8

Effects of House bill

The House bill provides $9,500,000. Under a limitation of $9,500,000, it would be possible to maintain a staff no larger than that prevailing several years ago. Since that time, new programs have been established, workloads have increased, price levels have risen, pay rates have gone up, and an automatic data-processing system has been instituted. The costs of the ADP system are incurred under the administrative budget; most of the economies are realized under the nonadministrative budget. The effect of these changes is shown, by experience, since 1960. Administrative expenses increased from $8,039,000 in fiscal year 1960 to $9,752,000 in 1962, or by $1,713,000. Of this amount, $550,000 is due to increased pay rates; $34,000 to increased travel allowances; and $435,000 to the introduction of the automatic data-processing system, including the compensation of programing personnel. Only $694,000 can be attributed to other personnel compensation and related expenses (such as supplies, rent of space, travel, and communications), with a resultant staff increase of 11 percent, as compared with an increase of 21 percent in total expenses.

Fiscal year 1963 increase in workload and costs

The servicing of insurance in force through entering new business on the books, premium billing, accounting for receipts, and transferring and terminating mortgages, is the single, most important workload of the Comptroller's Division, whose staff now accounts for 31 percent of the administrative total. The number of mortgages with insurance in force is estimated to increase from 3,400,000 in fiscal year 1962 to 3,700,000 in 1963, or about 9 percent. Tables showing how insurance in force is distributed among the measurable workloads of the Comptroller's Division are presented on pages D–19 and D–20 of the FHA 1963 budget justification, substantiating a requested increase of 22 positions for that division. Copies of these two tables are submitted with this statement as pages F–6 and F–7.

The Housing Act of 1961 introduced several new programs which were put into effect in fiscal year 1962, but whose continuing implementation requires additional administrative staff. Proposals under the experimental housing program are submitted to the Office of Technical Standards for detailed review and analysis by engineering and architectural staff. At least 100 proposals are estimated to be received in fiscal year 1963. The administration of the moderate-income housing program (below-market interest rate) requires the allocation of FNMA special assistance and the maintenance of income and mortgage limits by localities. The program for insurance of loans for rehabilitation of property in conservation areas has required close collaboration with local housing officials to develop effective procedures for meeting new and difficult problems. A promising beginning has been made in Baltimore and Cincinnati, and similar collaboration will be required in other localities if the program is to move ahead satisfactorily.

The requirements for administrative services, including personnel, procurement, printing, maintenance of program files, for the entire FHA staff, increase with the growth of insurance in force and of the staff under the nonadministrative budget. Increases in this area have been held to a minimum in the past.

Conclusion

FHA requires an administrative limitation of $10,800,000 for fiscal year 1963 to maintain administrative fiscal operations on a current basis, to carry out the intent of the Housing Act of 1961, to provide adequate technical and administrative supervisory services to assure quality processing in the field, and to maintain effective cooperation with other housing agencies on the national, State, and local level. It is therefore respectfully requested that the $1,300,000 reduction in the House bill be restored.

Workload and man-year requirements, actual, fiscal year 1961, and estimates, fiscal years 1962 and 1963

	Actual, fiscal year 1961			Estimate, fiscal year 1962			Estimate, fiscal year 1963		
	Total workload	Ratio	Average employment	Total workload	Ratio	Average employment	Total workload	Ratio	Average employment
1. Office of Assistant Commissioner—Comptroller			5.0			5.0			6.0
2. Procedures Branch			12.6			13.0			13.0
3. Financial Reports Branch			6.8			7.5			8.0
4. Insurance Branch			3.0			3.5			
5. Accounting Branch			3.0			5.0			5.0
6. Fiscal Branch			3.0			4.3			5.0
(a) Administrative Expense Section:									
1. Vouchers	60,081	2,258	26.6	67,937	2,260	30.1	69,700	2,260	30.8
2. Payroll, leave, and retirement	7,042	371	19.0	8,154	340	24.1	9,011	340	26.5
3. Administrative			4.0			4.0			4.0
Total			49.6			58.2			61.3
(b) Receipts and Deposits Section:									
Premium review and deposits:									
1. Liquidation of receivables (number of insured cases billed except title I, sec. 2, initial)	3,402,330	75,273	45.2	3,609,076	75,300	47.9	3,940,698	75,300	52.3
2. Correspondence	11,190	2,487	4.5	15,998	2,490	6.4	15,110	2,490	6.1
3. Liquidation of title I, sec. 2, initial (notes insured)	950,026	316,667	3.0	999,943	357,900	2.7	1,000,000	357,900	2.7
4. Deposit of mortgage notes and prepayment premiums	246,019	54,671	4.5	350,137	54,670	6.4	468,534	54,670	8.6
5. Deposits of fees				543,150	100,700	4.5	854,400	100,700	8.5
Receipts:									
1. Processing of field collections on new applications	639,803	32,477	19.7	700,229	50,000	14.0	230,575	100,000	2.3
2. Credit memos redeemed	104,910	41,964	2.5	78,833	41,960	1.9			
3. Processing miscellaneous schedules				29,100	5,820	5.0	30,000	5,820	5.2
4. Field processing—Applications				451,150	112,790	4.0	956,308	112,800	8.5
Administrative			4.0			4.0			4.0
Total			83.4			96.8			98.2

Workload and man-year requirements, actual, fiscal year 1961, and estimates, fiscal years 1962 and 1963—Continued

	Actual, fiscal year 1961			Estimate, fiscal year 1962			Estimate, fiscal year 1963		
	Total workload	Ratio	Average employment	Total workload	Ratio	Average employment	Total workload	Ratio	Average employment
7. Accounting Branch:									
(a) ADP Studies Section			2.1			5.0			7.0
(b) Accounting Records Section:									
1. General and subsidiary records (number of postings)	285,000	25,000	11.4	390,000	25,000	15.6	390,000	25,000	15.6
2. Administrative Office						3.0			3.0
3. General and subsidiary records (control)							111,068	10,250	10.8
Total			11.4			18.6			29.4
(c) EDP Section:									
Mortgage Service:									
1. Mortgages insured	362,825	42,685	8.5	417,766	46,900	8.9	554,475	46,900	11.8
2. Mortgages transferred	312,196	22,300	14.0	319,033	23,410	13.6	302,000	23,410	12.9
3. Mortgages terminated	143,231	14,181	10.1	173,576	14,810	11.7	180,190	14,810	12.2
4. Insured statistical cases	348,043	34,804	10.0	442,934	39,460	11.2	567,500	39,460	14.4
5. Servicing changes	162,193	21,625	7.5	149,652	21,600	6.9	164,500	21,600	7.6
6. Inventory of defaults							144,000	144,000	1.0
Title I loans:									
1. Notes insured	863,740	49,357	17.5	999,443	53,210	18.8	1,001,000	53,210	18.8
2. Adjustments (refinanced loans, new obligations, corrections, etc.)	107,458	42,983	2.5	165,500	45,020	3.7	165,000	45,020	3.7
Receipts and disbursements:									
1. Recoveries—defaulted title I loans	375,940	68,353	5.5	410,000	77,060	5.3	408,400	77,060	5.3
2. Universal renewal premium billing	2,926,311	146,316	20.0	3,600,248	165,990	21.7	3,857,398	165,990	23.2
3. Renewal insurance charge billing	476,019	158,673	3.0	484,810	160,980	3.0	493,700	160,980	3.1
4. Title I claims	25,734	19,795	1.3	25,000	20,220	1.2	23,000	20,220	1.1
5. Miscellaneous vouchers and travel	60,450	23,250	2.6	68,337	22,490	3.0	70,050	22,490	3.1
6. Payroll, savings bonds, and retirement	7,042	2,012	3.5	8,154	2,100	3.9	9,011	2,100	4.3
7. MMI distributive shares	93,348	62,228	1.5	125,702	60,110	2.1	120,200	60,110	2.0
8. Annual reports			6.0			7.3			5.7
9. Systems and programing (includes wording)			7.5			6.0			6.0
10. Administrative			3.0			3.0			3.0
Total			124.0			131.3			139.2
8. Accounts Section			5.3						
Total administrative			*309.2			*348.2			*372.1

*Average employment provided as follows:									
Positions			315.0			352			374.0
Deduct saving from part-year employment and lag in recruitment			18.3			20			14.4
Average full-time employment			296.7			332			359.6
Overtime			12.5			16.2			12.5
Total average employment			309.2			348.2			372.1

Limitation on Administrative and Nonadministrative Expenses, Federal Housing Administration

NONADMINISTRATIVE EXPENSES

(Estimate, $71,400,000; proposed by committee, $62,000,000; in act $62,000,000)

(House hearings, pt. 2, pages 1218–1272)

Page 54, line 10, strike out "$62,000,000" and insert in lieu thereof "$67,500,000", a decrease of $3,900,000 in the estimate, and an increase of $5,500,000 above the amount allowed by the House committee.

HOUSE REPORT

(Pertinent excerpts, H. Rept. No. 2050, p. 15)

"*Federal Housing Administration.*—An authorization of $9,500,000 is recommended for administrative and $62,000,000 for nonadministrative expenses related to processing workloads of mortgage insurance applications, or a total of $71,500,000. Nonadministrative expenses have risen from $47,246,000 in 1960 to $52,804,000 in 1961, $64,650,000 in 1962 and a request for $71,400,000 in 1963. The agency is becoming a little top heavy in its estimates. The increase in workload doesn't justify the increased request in appropriations. The agency did not require the full authorizations in 1962 and the Committee will expect more economy in 1963."

FHA Nonadministrative Expenses

JUSTIFICATION

Introduction

During fiscal year 1962, FHA made great advances in the provision of prompt service to the public. A year ago, the work of the agency was seriously lagging because of lack of funds for staffing and for providing staff supplements (overtime, per diem, fee appraisal) to deal with an increasing workload. Over 55,000 applications for commitments on 1- to 4-family properties were on hand in the field offices and an average time of nearly a month was required to issue commitments. The fiscal work of the Comptroller's Division in Washington was seriously behind in paying claims for debentures and in other areas.

At that time, a supplemental appropriation was enacted, and FHA was instructed by Congress "to get its business on a current basis and keep it current." With the funds so authorized, FHA promptly recruited additional appraisers, construction and mortgage credit examiners, and other processing staff and made use of fee appraisers and of overtime and per diem services to bring processing to a current basis throughout the country. At the present time and for some months, processing time on applications for commitments on 1- to 4-family properties has been below 2 weeks on the average, with only a minimum full "pipeline" of about 28,000 cases on hand. Prompt service is available to the public as it has not been during a heavy-volume period in many years. The work of the Comptroller's Division is also more nearly current, although difficulty in recruiting accounting personnel has seriously hampered the effort to bring the Comptroller's staff up to necessary strength. However, a major recruitment effort, assisted by the Civil Service Commission, has just been completed, and many of the deficiencies in the Comptroller's staff have been made up.

The minimum nonadministrative budget now required for fiscal year 1963 to maintain in the field the excellent service being provided to the public and to continue improving conditions in the Comptroller's Division is $67,500,000. The budget estimate before Congress is $71,400,000. It has been possible to reduce this amount because of changes which have occurred since the House hearing in March and which will be discussed below.

Effects of House bill

The House bill provides $62 million for nonadministrative expenses for fiscal year 1963, as compared with the revised request of $67,500,000. In order to conserve funds in view of the House action it has been necessary to eliminate the use of overtime and fee appraisals and to limit per diem employment. These

staff supplements are planned for use in the spring and summer to help maintain prompt service to the public without undue enlargement of full-time staff at a time of seasonal rise in business in the field. In addition, the full-time staff would have to be reduced.

If staff were reduced, it would not be possible with the anticipated volume of applications to keep field processing current. Should backlogs rise again, home buyers and builders would be delayed in getting service at a time when the economy needs the support of an active housing market.

A reduction in force in the field would also seriously impede the management and sale of the large and increasing inventory of properties which have been transferred to FHA with insurance claims pursuant to mortgage insurance contracts. Funds available in 1962 made it possible to increase staff substantially for this purpose. Failure to maintain or increase the staff further would delay the preparation of the properties for sale and their ultimate disposition, resulting in greater loss to the Government and in the dislocation of local housing markets. An unnecessary overhang of unsold properties would depress real estate prices and inhibit new construction, thus depriving the national economy of urgently needed support.

In the Comptroller's Division in Washington, where claims are paid and other fiscal operations are carried on, a situation which the agency has been struggling to improve would be made substantially worse. As of June 30, 1961, nearly 8,000 claims for debentures were unpaid and other work was similarly backlogged. In order to hasten payment of claims, a procedure for partial payment, now set at 90 percent of the claimed amount, was put into effect in August 1961. Partial payment is now made promptly on most claims, although nearly 10,000 partially paid claims were awaiting final settlement at June 30 this year. If staff were reduced, this number would increase greatly, the making of partial payments would be delayed, and other work would fall further behind. Altogether, the anticipated backlogs would amount to 140 man-years at June 30, 1963. In addition, scarcity-category personnel would be lost who have been recruited with great difficulty during the past year and whose training has just been completed.

Recent increase in nonadministrative workload and expenses

A review of FHA operations from fiscal year 1960 to 1962 shows a substantial increase in workload, both in the field offices and in Washington, particularly in the Comptroller's Division. The leading item of field work, unit applications received, increased from 735,697 in fiscal year 1960 to 882,000 in 1962, or by 20 percent. The most important workload of the Comptroller's Division, claims for debentures arising from property acquired under mortgage insurance contracts, increased, in terms of units, from 13,304 in 1960 to 30,700, or by 131 percent, which constitutes a change of major proportions. The acquisition and sale of such properties also creates a great deal of additional work in the field. Income from fees and premiums increased from $183,4 million in 1960 to approximately $230.4 million in 1962. Average employment increased only from 6,043 to 6,975, or by 15 percent, from 1960 to 1962 in response to these large rises in the workload. The most significant workloads for fiscal year 1960 and 1962 are summarized in the following table, together with average employment and income.

	Fiscal 1960	Fiscal 1962	Percentage increase
Unit applications received	735,697	882,000	20
Unit applications examined	747,317	878,000	17
Property acquired during year (units)	13,304	30,700	131
Acquired properties and assigned mortgages, end of year (number)	10,931	33,296	205
Mortgage insurance in force, end of year (number of mortgages)	2,982,095	3,400,000	14
Average employment	6,043	6,975	15
Fee and premium income (in millions)	$183.4	$230.4	25

Nonadministrative expenses increased from $47,246,000 in fiscal year 1960 to $61,700,000 in 1962, in response to the increased workload an increase in pay rates and travel allowances, and a change in the method of charging fee appraisals. Of the total increase of $14,454,000, about $4,200,000 is due to the rise

in pay and travel rates. In addition, expenses for fee appraisals are now included in the limitation. In 1960, the cost of fee appraisals, amounting to $2,500,000, was excluded from the limitation because they were paid by mortgagees, and FHA waived the application fee in such cases. After adjustment for these differences, nonadministrative expenses increased 16 percent from 1960 to 1962 while staff increased 15 percent. The increase in workload, summarized in the foregoing table, was on the whole much greater—20 percent in examination of unit aplications for mortgage insurance, 14 percent in insurance in force being serviced, 131 percent in property acquired (units), and 205 percent in the inventory of properties and assigned mortgages being managed and prepared for sale at the end of fiscal year 1962. As was indicated above, the increase in expenses during this period enabled FHA to provide excellent service in the field by the beginning of calendar year 1962 but left it still facing some problems in the fiscal operations carried on in the Comptroller's Division in Washington, largely because of the rapid increase in workload.

Fiscal year 1963 workload

The nonadministrative workload was justified in detail in terms of measured units on pages D–27 to D–44 of the fiscal year 1963 presentation to the House Appropriations Committee. In the House hearing on March 7, a revision was made in the nonadministrative estimate, arising from a reduction of 35,000 unit applications received, from a total of 1,112,000, including nursing home beds, to 1,077,000, and resulting in a reduction of the expense estimate from $71,400,000 to $69,900,000. This revision was made because the volume of applications received under the new programs introduced by the Housing Act of 1961 was below expectations from July 1961 to February 1962. Experience from March to July this year indicates that a further reduction is required—to 985,000 unit applications, including nursing home beds. This figure is about 10 percent above the number of unit applications received in fiscal year 1962 and represents a continuation of the moderate rate of growth shown in unit applications from 1960 to 1962.

Contrary experience has developed with regard to the estimate of one- to four-family properties acquired. The number of acquired properties is estimated in the justification before Congress at 24,000 for fiscal year 1962 and 27,000 for 1963. The number actually received during 1962 was about 25,000, with over 7,900 received during April-June. In view of this trend and making allowance for seasonal influences, it now appears that at least 30,000 one- to four-family properties will be acquired in 1963. This revision will increase associated workloads in the Comptroller's Division relating to payment of claims for debentures and acquired property and mortgage note accounting as well as those relating to property management and sales in the field.

A new workload has developed in the Comptroller's Divison with the inauguration in June of the sale of mortgages to take advantage of the favorable mortgage market. During fiscal year 1963, 10,000 mortgages acquired by FHA in connection with the sale of one- to four-family properties will be transferred. This operation requires the establishment of a unit of 30 employees to handle mortgage sales.

Conclusion

The workload adjustments referred to above result in a net reduction of estimated nonadministrative expenses for fiscal year 1963 to $67,500,000. This amount is essential to maintain adequate service to the public at approximately the present satisfactory level in the field and to enable the Comptroller's division to pay claims for debentures promptly and to keep other work on a current basis. It is therefore respectfully requested that $5,500,000 of the reduction of $9,400,000 by the House be restored.

STATEMENT OF NEAL J. HARDY, COMMISSIONER, FEDERAL HOUSING ADMINISTRATION

Mr. Chairman and members of the committee, I am grateful for the privilege of appearing before you to explain the budgetary needs of the Federal Housing Administration for fiscal year 1963. For reasons which will be stated in detail, I urge most strongly the enactment of an administrative expense limitation for FHA in the full amount of $10,800,000 requested of the House Appropriations Committee and of a nonadministrative expense limitation of $67,500,000, which is $3,900,000 below the original budget estimate. As you know the House has allowed $9,500,000 for administrative expenses and $62 million for nonadministrative expenses.

Each year since 1960 the Federal Housing Administration has experienced major increases in workloads, both in the central and in the field offices. Unit applications for mortgage insurance rose from 735,697 in 1960 to 820,620 in 1961 and to 882,000 in 1962. We expect a comparable rise to 985,000, in 1963. Similarly, insurance was in force covering 2,982,095 mortgages in 1960, whereas at the end of 1962, approximately 3,400,000 mortgages were insured. We expect this workload to rise to 3,700,000 mortgages by the end of this fiscal year. Home mortgage insurance claims increased sharply from 4,634 in 1960 to 13,394 in 1961 and to 25,000 in 1962. We expect a further rise to 30,000 in 1963. These and other significant workload comparisons are summarized in the table attached to my statement.

The increase in insurance over this span of years brought with it an increase in income. Income from fees and premiums in 1960 totaled $183.4 million. In 1961 fee and premium income rose to $206.5 million and in 1962 totaled approximately $230.4 million. Out of this income, the cost of increased salaries and other expenses to meet these increases in workload has been met.

Because the increases in workload outstripped the available budget and staff, we were in serious difficulty a year ago. The Congress enacted a supplemental appropriation in September of last year and instructed FHA to "get its business current and keep it current."

These instructions have been carried out. FHA is providing prompter service to home buyers and sellers, mortgage lenders, homebuilders, and the real estate industry generally than it has ever provided during a heavy volume period. The number of unit applications in home cases on hand has been reduced from over 56,000 a year ago to a minimum full "pipeline" of about 28,000 currently. Average processing time has dropped from nearly a month to less than 2 weeks. At the same time, the Housing Act of 1961, which introduced five significant new programs, has been put into effect. Properties acquired through insurance claims under mortgage insurance contracts are being prepared for sale and disposed of more rapidly than ever following an expansion of staff in field offices and the decentralization of disposition procedures. The work of the Comptroller's Division in the payment of claims for debentures and in other areas is more nearly current than a year ago, in spite of steadily increasing workloads and difficulties in the recruitment of accounting personnel.

The expense limitations allowed by the House would make it impossible to hold the great gains made in the past year. Reductions in force would be required in Washington and in the field.

Insurance in force will rise this year by 300,000 mortgages, or 9 percent, increasing the fiscal and administrative work in Washington. The five new programs introduced by the Housing Act of 1961 will require additional work. Experimental housing proposals authorized by the 1961 act must be evaluated. Funds must be allocated and controlled within the available FNMA special assistance earmarked for the new program of moderate income rental housing with an interest rate below the market level. Collaborative procedures with localities in conservation and rehabilitation areas must be extended, building on the promising beginning made last year in Baltimore and Cincinnati. The general administrative work of the agency, including personnel, procurement, and program files, will increase as the total workload and employment go up. Additional funds will be needed to pay a full year's rental on automatic data processing equipment installed during fiscal year 1962. To meet these needs the full estimate of $10,800,000 will be required for administrative expenses in 1963.

Under the nonadministrative budget, FHA's processing capacity would be curtailed by the House cut below current levels in the face of a rise in workload. Since every effort would be made to give priority to meeting obligations under existing insurance contracts, the most immediate and serious impact would be felt in the capacity of the field offices to handle new applications for mortgage insurance at a time when the economy is urgently in need of an active housing market.

Action has already been taken to eliminate the use of overtime and fee appraisals and to limit the use of per diem employment in order to conserve funds under the nonadministrative limitation in view of the House allowance. In addition, a reduction in force would be necessary. Backlogs of applications in the field offices would again rise, and processing time would increase. The rate of sale of acquired properties would slow down, resulting in an undesirable overhang on local markets. The payment of claims by the Comptroller's Division would be delayed, and other fiscal work would back up.

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We now anticipate an increase in unit applications for mortgage insurance from the total of 882,000 received in 1962 to 985,000 this year. This increase is in line with the increases in applications that have occurred since 1960. The estimate is, however, below our earlier expectation of 1,077,000, in large part because new programs have not developed as rapidly as was expected at the time of the House hearing in March.

On the other hand, the number of home properties acquired through insurance claims pursuant to mortgage insurance contracts has increased somewhat more than was expected. In the justification presented to the House committee in March, the number of acquired home properties was estimated at 24,000 for fiscal year 1962 and 27,000 for 1963. The number actually received during 1962 was about 25,000, with over 7,900 received during the last 3 months of the fiscal year. Considering this trend and making allowances for seasonal influences, it now appears that 30,000 home properties will be acquired during fiscal year 1963. This increase in claims and property acquisitions above the original estimates will result in increased workloads in the Comptroller's Division in Washington relating to payment of claims and to acquired property and mortgage note accounting as well as increased work in property management and sales in the field. In addition, a new workload has developed in the Comptroller's Division with the inauguration in June of the sale of mortgages to take advantage of the favorable mortgage market. During fiscal year 1963, 10,000 mortgages acquired by FHA in connection with the sale of home properties will be transferred.

Because of these changes in nonadministrative workloads, we are requesting a nonadministrative expense limitation of $67,500,000—a reduction of $3,900,000 from the budget estimate.

In summary, we respectfully request restoration of the administrative expense authorization to the full estimate of $10,800,000 and a revised estimate of $67,500,000 for nonadministrative expenses.

Thank you.

Federal Housing Administration workload increases, fiscal year 1960–63

	1960 actual	1961 actual	1962 actual	1963 current estimate
Unit applications received	735,697	820,620	882,000	985,000
Insurance in force (number of mortgages)	2,982,095	3,191,515	3,400,000	3,700,000
Home mortgage insurance claims	4,634	13,394	25,000	30,000
Properties on hand end of year	10,660	19,941	33,000	40,000
Assigned mortgages on hand (units)	23,418	29,458	32,000	33,700
Purchase money mortgages on hand	14,044	17,758	25,500	35,600

FEDERAL HOUSING ADMINISTRATION

Senator MAGNUSON. Do you have anything to add to what you have here?

Mr. WEAVER. I have a brief statement, Mr. Chairman. The figures in the bill for the Federal Housing Administration cause me special concern. The House made really very substantial reductions in the budget estimates for both administrative and nonadministrative expenses—reductions which I believe, if allowed to stand, would have serious effects on FHA operations and through them on the housing industry.

FHA ADMINISTRATIVE EXPENSES

I will not attempt to discuss the administrative expense limitation in any specifics. The only thing I want to point out is that this is the staff which is responsible for establishing policy, setting underwriting standards, and supervising operations for an agency which will have outstanding mortgage insurance in force amounting to some

$43 billion by the end of 1963. In recent years, and especially in the Housing Act of 1961, the Congress has added several new or modified programs to FHA's already complex body of functions. Many of these programs involve highly specialized problems in which there is little experience to go on; for example, housing for the elderly, under both profit and nonprofit sponsorship; mortgage insurance for nursing homes; a new program for insurance covering unconventional or experimental materials or methods of construction, and so on. While we must ever be more mindful of quality than quantity in this kind of planning and supervisory staff, it seems clear to me that a constant increase in workload means that the staff must grow in numbers if the work is to be done and done well. The House figure is insufficient even to support the present staff. In this item, I urge the committee to give sympathetic consideration to our request for the full amount in the budget estimate.

FHA NONADMINISTRATIVE EXPENSES

In connection with the nonadministrative limitation, the problem is somewhat different, and in our judgment quite serious. This is the item, as you know, which covers the massive operation of processing FHA's new applications for insurance, as well as certain other matters such as examination and settlement of claims. Our concern is that, if the House figure should become our legal limitation for the year, there would be no course open to responsible management other than to conduct an immediate and rather major reduction in force which would affect most of our 76 insuring offices around the country. I feel certain that no one wants such a thing to happen. We all remember that only last summer there were major backlogs in most of the field offices, and serious problems of delays affecting builders and lenders in most parts of the country. That problem has now been overcome, and I am certain that Congress is as anxious as we are to avoid having it happen again.

The House committee is quite right, however, in suggesting that FHA workload in new applications is currently less than was assumed in making our 1963 budget estimates. Everyone recognizes, I am sure, that forecasting new FHA business for a period some 18 months in advance is at best a very speculative business. We recognize that our estimates of new workload were high, and accordingly we are suggesting to this committee a reduction of $3.9 million in the budget estimate for this limitation, or $67.5 million—a figure which is $5.5 million above the House bill but, as I indicated, $3.9 million below the original request.

Mr. Chairman, because the problems involved here are so important and so immediate, I would be grateful if the committee would extend us the courtesy of permitting Commissioner Hardy to amplify briefly these introductory comments of mine.

Senator MAGNUSON. Well, I think we understand this.

You have got an estimate for 1963 of 3,700,000 in business and that is an increase of 300 million, but you are asking for an increase—no. You have got 3,700,000 mortgages.

Mr. HARDY. That is correct—that is the number of mortgages.

Senator MAGNUSON. And the amount in billions is 43 billion?

Mr. HARDY. That is correct, sir.

Senator MAGNUSON. That is 300,000 over 1962?

Mr. HARDY. That is correct.

Senator MAGNUSON. But an increase of 5 billion in mortgage amount?

Mr. HARDY. That is correct, sir.

Senator MAGNUSON. I think we understand what this is. We will take a look at it.

Senator MONRONEY. Do you want Mr. Hardy to amplify it, or do you want to question him about it?

Senator MAGNUSON. Well, I think it is thoroughly amplified in here.

FHA WORKLOAD AND FORECLOSURES

Senator MONRONEY. My concern is about the State offices, which have an ever-increasing workload as new applications pile up in this day and age.

If people are ready to buy, you have got to be ready to take care of them.

But I think the prime necessity is to get busy and do something on these foreclosures that are piling up. If we don't work on those, this is going to make our losses look tremendous when we have to take these writeoffs.

Up to now I don't think we have had to take any on foreclosures, but as you have testified repeatedly, they have increased by about four times since last year.

Eight-tenths of 1 percent—does that mean all outstanding mortgages, or eight-tenths of 1 percent of those approved in the last year, or two?

Mr. HARDY. All outstanding. That is the rate.

Senator MONRONEY. I am for cutting out a lot of long-haired research, and doing away with certain things that are not necessary, but this is the guts of the program and I think if we diminished that we would kill the thing that made the Federal Housing Agency one of the outstanding agencies in the Government.

FHA ADMINISTRATIVE IMPROVEMENTS

Senator ALLOTT. I have one thing. I have a letter here from the president of the Home Builders Association in Colorado Springs in which he says this:

> Homebuliders consistently strive for good working relations with these two Government agencies—

he is talking also about a labor agency—

> in Denver. However, it is becoming increasingly apparent that, regardless of our efforts, private industry is being unduly hampered by (*a*) constantly pyramiding Government regulations and bogged down in the system of submissions and final approval for construction under these programs and, (*b*), is local restrictions which, as he says, do not even conform to any instances of national restrictions.

I have asked him to submit to me a list of specific cases on this matter, but in this whole overall job of the FHA, what is being done to try and keep these regulations down?

I worked for many years with the Federal Farmers Home Administration and finally recodified all of the lending laws of the Farmers Home Administration beginning with the original Bankhead-Jones Act, and I found, in that instance, that the original regulations had grown from an almost insignificant number to a list of regulations running to 12,000 pages.

Now, what is being done? I know that new problems come up and you try to meet these with regulations, but what are you doing to try and keep the regulations cut back and simplified?

CONSIDERATION OF COMPLAINTS

Mr. HARDY. Well, I am afraid in all candor I have to say, Senator, that this is probably a never-ending job for any bureaucrat.

I have tried—tried my level best—during the time I have been in office, to take into sympathetic consideration the specific type of complaint that you have asked your correspondent to supply you to see if we could not simplify and cut down on them.

I meet regularly with policy groups from both the building and lending fraternity, and solicit from them recommendations as to ways in which we can cut out unnecessary procedures.

I think we have made a fair amount of progress in connection with those items which are justifiably subject to criticism and complaint.

I would welcome knowing exactly what it is that bothers the Builders Association in Colorado Springs, and I will give you my personal pledge in any way I can, consistent with the basic law itself which has become a great deal more complicated since it was first passed in 1934, to cut out anything which is unnecessary.

We have streamlined a number of our technical requirements having to do with construction standards and things of that sort.

We have made a major change in the method by which we settle claims submitted by lending institutions holding defaulted FHA notes and mortgages, and I think have pretty successfully met most of the quite justifiable criticisms which were leveled at us.

BACKLOG OF UNPAID CLAIMS

When I came in office I found we had $600 million backed up in unpaid claims. We have resolved that problem by the relatively simple expedient of simply paying off, immediately, 90 percent of such claims, and then going through the legal necessities of submission of papers, and so forth, and making a final settlement of 10 percent, and have pretty well got that backlog situation cleared out.

I might comment, however, that this is one of the things which, in addition to appropriate action which has already been suggested, that we should be doing more in the case of foreclosures—is that without an adequate personnel to take care of it, I am horribly afraid we will be further backlogged in connection with the claims problem.

Senator ALLOTT. I think it really is important because the experience and history of all agencies is that when you promulgate a law, pass a law, then you promulgate regulations and these grow like Topsy and Topsy grows awfully fast. It soon gets awfully complicated.

We actually had a situation in the other instance where it was impossible for local groups to fairly, and I mean fairly on any basis,

evaluate applications for loans. You could get in this situation yourself.

Now, one thing we overlooked this morning:

How many cases of foreclosures do you have in some process at the present time?

FHA DEFAULTS AND FORECLOSURES

Mr. HARDY. Perhaps a trend figure on actual properties on hand would give you the actual trend in the last 2 or 3 years.

Senator ALLOTT. Well, I am going to ask you that, too.

Mr. HARDY. All right.

Senator MAGNUSON. Let's put that in the record.

Mr. HARDY. There are approximately 40,000 cases which are now either in default or in process of foreclosure.

Senator ALLOTT. 40,000. And how many properties do you have title to?

Mr. HARDY. As of the end of the fiscal year just concluded, 34,000.

We estimate that by the end of the current fiscal year—you will recall we said that the increase in delinquencies has now been arrested and they are declining somewhat.

We still have a carryover of foreclosures from past delinquencies which preceeded that policy.

We have 34,000 home properties on hand as of the end of this fiscal year and expect to reach approximately 40,000 a year from now.

Senator ALLOTT. Mr. Hardy, would you give us these same figures for about 4 years back so we can see how the trend is going, and have them in the record at this point?

Mr. HARDY. I will be glad to.

Senator ALLOTT. Thank you.

(The information referred to follows:)

Status of defaults and property acquisitions and disposition home mortgages, fiscal years 1958–62

Fiscal year	Mortgages in default June 30 [1]		Properties acquired by FHA during fiscal year		Properties sold during fiscal year	Properties held by FHA June 30
	Number	As percent of mortgages in force	Number	As percent of mortgages in force, beginning		
1958	12,575	0.52	2,490	0.11	1,766	7,739
1959	14,702	.54	3,022	.13	2,664	8,097
1960	20,335	.68	4,636	.17	2,229	10,504
1961	35,013	1.10	13,391	.45	4,130	19,765
1962 [2]	41,190	1.21	25,501	.80	10,993	34,273

[1] Including mortgagee inventory.
[2] Except for number of defaults, all 1962 data are preliminary.

FHA NONADMINISTRATIVE EXPENSES

Senator MAGNUSON. I have here a letter dated August 9, 1962 from Senator Jackson, my colleague from Washington. He encloses—and has asked that this be made a part of the record of these hearings—a letter dated August 3, 1962, addressed to the Senator by Mr. Albert A. Beal, president of the Young Men's Democratic Club of Seattle, Wash.

Mr. Beal calls attention to the needs of the FHA field offices and urges an increase in the FHA expense limitation to enable these offices to keep insurance processing on a current basis.

These letters will be made a part of the record at this point, together with my response to the Senator from Washington.

(The information referred to follows:)

Hon. HENRY M. JACKSON,
U.S. Senate, Washington, D.C.

DEAR "SCOOP": I appreciate your sending me the letter to you of August 3 from Albert A. Beal, president of the Young Men's Democratic Club of King County.

You may be sure that our subcommittee will give the most careful and sympathetic consideration to the appeal of the FHA in connection with its estimates of administrative and nonadministrative authorization for the current fiscal year.

I am also glad to insert Mr. Beal's letter to you in the record of our hearings.

Sincerely yours,

WARREN G. MAGNUSON,
Chairman.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
August 9, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Appropriations Independent Offices Subcommittee,
Washington, D.C.

DEAR MAGGIE: Please find enclosed a self-explanatory communication from the president of the Young Men's Democratic Club of King County.

This letter advises of the importance of the restoration to the independent offices appropriations bill of $5 million for the expenses of FHA field offices.

I would very much appreciate your having this letter made part of the record.

Sincerely,

HENRY M. JACKSON,
U.S. Senator.

Enclosure.

YOUNG MEN'S DEMOCRATIC CLUB OF KING COUNTY,
Seattle, Wash., August 3, 1962.

Hon. HENRY M. JACKSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JACKSON: The House Committee on Appropriations approved $62 million for expenses of FHA field offices for the present fiscal year. This is $7.9 million less than the FHA requested, and is $5 million less than the FHA current rate of expense.

If the committee's action is finally approved by Congress it will create a serious backlog problem in the FHA offices. Up to the present time they have been able to employ the services of per diem and fee appraisers, as well as the use of their personal staff on an overtime basis. This is now denied them.

Based on the number of appraisers on their regular staff, and, making allowances for sickness and vacation time, they are able to process in the Valuation Section 84 cases per day. Over the past year they have been receiving an average of 105 cases per day. Thus, they will be losing ground of 21 cases per day.

At the present time, based on the high volume of receipts, it takes the FHA office 11 days to process from date of receipt to date of commitment. This record will deteriorate rapidly as the result of the reduced appropriation, and as the length of processing time increases, there is a commensurate increase in complaints from the public because of the apparent slowness in approving their loans. The receipt and handling of these complaints will add considerable more burden to the already heavy load on the local FHA office. Furthermore, the public in fact is entitled to quick service, because they are building or buying a house under FHA financing, they are interested in speedy action and should have it.

The FHA charges for its services and its fees are paid by the public. Therefore, the public expects and should receive prompt attention.

Your attention to the restoration of the $5 million would be appreciated.

Sincerely yours,

ALBERT A. BEAL,
President, Young Men's Democratic Club.

DISCOUNTS ON FHA-INSURED LOANS

Senator ALLOTT. Mr. Weaver, I wonder if you would be good enough to prepare and insert in the record some information showing the discounts that are currently being charged in connection with the writing of FHA-insured home mortgage loans.

I think these data should be arranged by principal geographic regions, and should be so arranged as to show the trend this has been taking.

Mr. WEAVER. We will be happy to provide that information, Senator Allott.

(The information referred to follows:)

SECONDARY MARKET PRICES FOR SECTION 203 INSURED MORTGAGE LOANS

The following table records for recent months the average secondary market prices for section 203 new home, 5¼-percent, 25-year, 10-percent downpayment mortgages available for immediate delivery. These price quotations are based on opinions of FHA insuring office directors determined after inquiries to active local mortgagees as to the price obtainable for mortgages with these specifications.

[Prices [1] per $100 of outstanding loan amount]

1st of each month	U.S. average	Zone I, Northeast	Zone II, Middle Atlantic	Zone III, Southeast	Zone IV, North Central	Zone V, Southwest	Zone VI, West
1961—August	96.6	97.3	97.4	96.0	96.8	96.3	96.5
September	96.5	97.3	97.6	96.0	96.7	96.3	96.4
October	96.4	97.5	97.4	95.8	96.6	96.1	96.2
November	96.4	97.5	97.4	95.7	96.6	96.0	96.4
December	96.4	97.5	97.5	95.9	96.6	96.0	96.1
1962—January	96.5	97.5	97.5	95.8	96.8	96.2	96.2
February	96.4	96.9	97.5	95.8	96.7	96.2	96.2
March	96.6	97.6	97.8	96.0	96.8	96.3	96.3
April	96.7	97.6	97.8	96.1	96.8	96.6	96.7
May	96.9	97.9	98.0	96.5	97.0	96.7	96.7
June	97.2	98.0	98.2	96.6	97.3	96.9	96.9
July	97.3	98.3	98.2	96.9	97.3	97.1	97.0
August	97.3	98.3	98.2	96.8	97.7	97.2	97.1

[1] Net prices after discounts, commitment fees, or other charges.

PUBLIC HOUSING ADMINISTRATION

ANNUAL CONTRIBUTIONS

Senator MAGNUSON. The House report doesn't follow in sequence here. We skipped over the Public Housing Administration.

I don't even see that in the House report.

Mr. FRANTZ. It is the last item in the report.

Senator MAGNUSON. The bill in this case provides $180 million for the payment of annual contributions to local public housing authorities.

This is 15 million more than the appropriations for fiscal 1962, and 5 million less than the budget.

There will be 525,157 units in 3,129 projects on Federal subsidy requiring annual contributions. And then the next is the administrative expense.

PHA ADMINISTRATIVE EXPENSES

Now, I understand you have a statement on that.

Mr. WEAVER. Thank you, Mr. Chairman. I have a brief statement regarding the proposed amendment on that.

The 1963 budget request for administrative expenses of the Public Housing Administration was $14,750,000, and the House has allowed $14,359,000. Restoration to the full estimate is requested.

As Commissioner McGuire can tell you in more detail, the additional positions requested are necessary for PHA to fulfill properly its supervisory responsibilities over local housing authority operations, in order to assure economy and efficiency in the planning and execution of project development and management activities. The low-rent housing program is growing at the rate authorized by the Congress and the additional staff requested—all for assignment to the field offices—would help protect the interest of the Federal Government in this important housing resource.

Four years ago, on June 30, 1958, PHA had 1,410 employees. It has just about exactly the same number today. At the end of fiscal year 1958, there were about 435,000 public housing units occupied and another 30,000 under construction. By the end of this year, it is estimated that there will be nearly 550,000 units occupied and another 50,000 under construction. Considering this growth in the job the agency has to do, its request for an increase of 55 positions seems to me reasonable indeed, and I hope this committee will support it and restore these funds to the bill.

Senator MAGNUSON. All right, Mr. Weaver, and I think we should have Commissioner McGuire's statement in the record, along with the amendment and the justification that has been submitted as section D in your book.

(The information referred to follows:)

STATEMENT OF MARIE C. MCGUIRE, COMMISSIONER, PUBLIC HOUSING ADMINISTRATION

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you for a discussion of the PHA program and our fund requirements. We have provided the committee with statements concerning action taken by the House on our appropriation and authorization of funds for fiscal year 1963. Without repeating the details of this justification material, I would like briefly to highlight what I consider to be our most urgent requirements.

The PHA is charged with the responsibility of protecting the Government's interest over a long period of time in a large property management operation. By the end of fiscal year 1963, there will be 715,000 dwellings in the total program, including about 50,000 under construction and 547,000 in management. The PHA has supervisory responsibility over more than 1,300 local housing authorities which own and operate these properties in about 1,700 locations throughout the continental United States, the States of Alaska and Hawaii, Puerto Rico, and the Virgin Islands. This represents an investment of approximately $6.7 billion.

Approximately 24,000 new low-rent dwellings were completed in the last fiscal year, of which over 3,300 were specifically designed for the elderly. Of the 162,000 units in various stages of development as of June 30, 1962, approximately 44,000 were specifically designed for our senior citizens.

The President's budget requested $14,750,000 for administrative expenses to support the entire administrative staff and represents an increase of 55 positions

in our regional offices. We are requesting restoration of $391,000, the amount of the reduction proposed by the House. Substantially all of the additional positions are for auditing and other management functions to meet our supervisory responsibilities over local housing authority operations to insure economy and efficiency in both the planning and execution of project development and management.

Because of the timelag in recruiting and filling a new position, only a portion of the annual cost of the positions requested, specifically 36.4 man-years, was included in the budget estimate for 1963. On this basis, personnel compensation and benefits accounted for $492,000 of the $782,000 increase over the funds appropriated in 1962. The remaining $290,000 is mainly for travel expense and takes into consideration the increased per diem rates and the rapidly increasing number of communities entering the program for the first time.

In both 1961 and 1962 funds were appropriated to support a staff of 1,405 positions despite the expanded program. Our budget for 1963 contemplated a staff of 417 positions in the central office, 160 positions on the field audit staff, and 883 positions in the seven regional offices, including the one in Puerto Rico. This represents an increase of 18 positions on the field audit staff and 37 positions in the regional offices.

Over the last 5 years the number of projects in the management stage increased 41 percent, by 866, from 2,119 to 2,985, or in terms of units, from 426,700 to 511,120. Over the same period, our overall low-rent administrative employment decreased by 46 positions. This has forced a drastic redeployment of staff to provide some relief in the auditing and management functions. But this was inadequate to deal with the huge workload and left weaknesses in other functional areas. The 1963 budget estimates that 207 additional projects will be completed and added to the management workload. Our current estimate is 240 projects, comprised of 30,000 units.

As I said previously, the additional positions requested are mainly in field auditing and other management functions. A part of the impact of increased workload in development functions last year was met by a substantial reduction in central office employment and the transfer of these positions to the regional office development staffs. It was not possible to cope with the management workload in 1962 in a similar manner, nor will it be possible in 1963.

We are requesting that the committee restore $190,000 of the nonadministrative authorization for the operation and maintenance of three federally and directly operating housing projects. This is the amount of the House reduction. This request is for authorization to use funds derived from rental income to begin the work necessary to bring these projects up to acceptable standards. Two of these projects are located in Oklahoma and one is in Indiana. They were built in 1938 under the PWA program. We thought we would be relieved of their ownership and extensive maintenance therefore has been postponed for a number of years. It now becomes necessary to repair the hazardous conditions which present a threat to the health, safety, and welfare of the tenants. I feel strongly that the Government has a responsibility to its tenants to maintain this housing within standards reasonably expected of a responsible landlord.

We are operating with a small staff of construction representatives for our large construction program. These skilled men are needed to safeguard the Government's interest while construction is in progress. Their primary role is to insure that construction complies with the contract plans and specifications, and to prevent the serious deficiencies which might result from inadequate supervision and inspection. During 1962 our staff of construction representatives averaged 42.8, or about 6 projects per man. We are requesting that the committee restore the $100,000 cut voted by the House. This will provide a staff of 49 construction representatives in 1963. Based on current construction estimates, it would mean about one representative to seven projects in 1963 as compared to one representative to six projects in 1962.

The requested appropriation of $185 million for the payment of annual contributions has been reduced by $5 million. Annual contributions are authorized by the U.S. Housing Act of 1937, as amended. At the time annual contributions contracts are executed, a firm obligation of the Federal Government is established to make these payments when they become due.

I am not at this time requesting the restoration of the House reduction of our budget estimate. Toward the end of fiscal year 1963, should it be determined that actual payments will be in excess of the amount appropriated, we will follow the usual procedure and request a supplemental appropriation.

In closing, however, I would like to reiterate my sense of urgency on the restoration we are requesting. These funds are needed to permit the adequate performance of essential work.

I shall now be glad to answer any questions.

PUBLIC HOUSING ADMINISTRATION

ADMINISTRATIVE EXPENSES

(Estimate, $14,750,000; proposed by committee, $14,359,000; in act, $14,359,000)

(House hearings, pt. 2, pp. 1273 ff.)

Page 34, line 5, strike out the figure "$14,359,000" and insert in lieu thereof "$14,750,000", the estimate, an increase of $391,000 above the amount allowed by the House committee.

HOUSE REPORT

(Pertinent excerpts, H. Rept. No. 2050, p. 15)

"*Public Housing Administration.*—The bill provides $14,359,000 for administrative expenses of the program, an increase of $391,000 over funds provided in 1962 and a reduction of a like amount in the budget estimate. It will provide a staff or 1,420 on a full annual basis."

JUSTIFICATION

The Public Housing Administration requests the restoration of $391,000 for administrative expenses. This is the amount of the reduction proposed by the House. Approval of the proposed amendment would provide $14,750,000 for administrative expenses, the amount of the budget estimate. Restoration of these funds is essential to enable the Administration to meet its responsibilities for administering the expanding low-rent program.

Administrative expenses

The President's budget requested $14,750,000 for administrative expenses to support the entire administrative staff and represents an increase of 55 positions, all in the field. Substantially all of the additional positions serve directly to meet the statutory requirement for supervisory responsibility over local housing authority operations to insure economy and efficiency in both the planning and execution of project development and management activities.

Because of the timelag in recruiting and filling a new position, only a portion of the anual cost of the positions requested, specifically 36.4 man-years, was included in the budget estimate. On this basis, personnel compensation and benefits accounted for $492,000 of the $782,000 increase over the funds appropriated for 1962. The remaining $290,000 is mainly travel expense, taking into consideration the increased per diem rates. This increase will permit resumption of regular auditing functions, provide travel funds for the increased regional office staffs, and permit more adequate response to the ever-increasing demand for personal contact by these staffs with local housing authority and community representatives.

To demonstrate the serious workload problem, the number of local housing authorities have increased from 717 in September 1957 to 1,312 as of June 30, 1962, or an increase of 83 percent. During the same period the number of projects under annual contributions contracts, construction, and management increased from 2,692 to 3,922, or 46 percent. The number of projects in the management stage increased by 41 percent, or 866.

In comparison, the overall low-rent administrative employment decreased by 46 positions over the same period. It is estimated in the 1963 budget that 207 additional projects will be completed and added to the management workload. As a result, the Administration is unable to adequately meet its responsibility to protect the Government's interests by insuring efficiency and economy in local housing authority operations.

The substantial increase in the number of new local housing authorities has contributed materially to the workload on the regional office staffs. During the last fiscal year, 118 new housing authorities entered the program. A new housing authority needs hand-to-hand guidance and training in order that it may assume its responsibility in an effective manner. This involves guidance and assistance in each functional responsibility of the local housing authority

staff from the initial application through the earliest stages of planning a project to its completion, occupancy, and management.

As heretofore stated, the additional positions requested are mainly in field auditing and other management functions. A part of the impact of increased workload in development functions last year was met by a substantial reduction in central office employment and the transfer of these positions to the regional office development staffs.

It is not possible to ease the management workload in a similar manner. In order to meet the management responsibilities it has been necessary to reduce the frequency of audits and inspections. For example, except for serious problem cases, fiscal audits have been extended to 18 months, occupancy reviews to 2 years, and management reviews to 3 years. This is not a prudent practice when related to the requirement for economy and efficiency in local housing authority operations.

Other factors contributing to the increased workload stem from the search for new approaches to the problems of providing housing for low-income families, including improved designs, use of urban renewal sites, housing for Indians, rehabilitated houses, and many others. The Administration is engaged in a cooperative effort with the Department of Health, Education, and Welfare to make the optimum use of both their programs and ours toward the end that low-income families will become more independent. These activities present new problems to be solved. Progress depends upon an adequate staff.

PHA ADMINISTRATIVE EXPENSES

Senator MAGNUSON. We will have to go into this later. We have got to be on the floor. There is a live quorum, so we will have to recess.

(Short recess.)

Senator MAGNUSON. All right; the committee will come to order, and we are now on Public Housing Administration.

Dr. Weaver has made a statement and Commissioner McGuire is here, and actually what you folks are talking about now is the administrative expenses?

Mrs. MCGUIRE. Yes.

Senator MAGNUSON. The committee will take a look at that.

Maybe it is because of the difference between the number of units that are moving forward in this particular field.

Mrs. MCGUIRE. That is right.

Senator MAGNUSON. And that requires a great deal more supervision, because this is one program, I would think, that you would have to supervise more than any other program.

Mrs. MCGUIRE. That is correct. That is the distinguishing difference.

Mr. WEAVER. We have a continuing operational responsibility here.

Senator MAGNUSON. Yes. This is one you have to watch pretty carefully. You ought to have enough people to watch it.

PUBLIC HOUSING FOR THE ELDERLY

Now, you mentioned, Dr. Weaver, that, in the Public Housing Administration, some of the units are being occupied by the elderly.

Now, Commissioner McGuire, does that mean that you have a regulation on this?

Mrs. MCGUIRE. On the number of units for the elderly?

Senator MAGNUSON. Well, or regulation of preference?

Mrs. MCGUIRE. No. The communities are asking for it.

Right now under construction, or in various stages of development, are 43,959 units for the elderly, designated by the communities themselves.

Senator MAGNUSON. So, they come in, they initiate a program in which part of the units would be for elderly?

Mrs. MCGUIRE. They designate them, yes.

Senator MAGNUSON. So that naturally they would have preference. This is the ones they want to put in. But there is no ruling or regulation by the Administration on this?

Mrs. MCGUIRE. No.

Mr. WEAVER. We are sympathetic, but we have no ruling.

Senator MAGNUSON. Well, it seemed to me that there are a lot of these places where this could be well used.

Mr. WEAVER. Well, of course, the vast majority of our senior citizens are in the income group that would be served by public housing, so that when we build this type of housing we are serving the bulk of the market.

Senator ALLOTT. But, again, here we have the same problem we were talking about before, which is public housing, per se, is not necessarily suitable for elderly.

Mr. WEAVER. Well, the units we are now building are units designed specifically for our senior citizens and they may be in a project itself, or may be units in a project or may be part of a total project, but the facilities are designed for their use and they are permitted higher unit costs and are given larger subsidies.

TOTAL RESIDENTS IN UNITS

Mrs. MCGUIRE. We have 115,000 elderly residents now in units that were not designed specifically for elderly tenants, and we have 5,589 units in management that were specifically so designed and, as I indicated, some nearly 44,000 under construction or underway.

Senator ALLOTT. It is about one-fourth which are units specifically designed.

Mrs. MCGUIRE. That is right.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

Senator MAGNUSON. All right.

Are there any further questions?

Senator ALLOTT. No.

Senator MAGNUSON. All right.

We will take a look at that.

PHA NONADMINISTRATIVE EXPENSES

Senator MAGNUSON. Now we come to the nonadministrative expense limitation for the Public Housing Administration in title II of the bill. We will insert, in the record, the text of the Administrator's statement on this item, together with the proposed amendment and the justification therefor.

(The material referred to follows:)

PUBLIC HOUSING ADMINISTRATION (NONADMINISTRATIVE EXPENSES)

Mr. WEAVER. The amount requested in the budget for nonadminstrative expenses was $1,490,000, and the House has allowed $1,200,000. Restoration of the full budget estimate is proposed; $190,000 of the restoration requested is to provide for urgently needed repairs to three federally owned, directly operated projects in Oklahoma and Indiana. These repairs are necessary to protect the health and safety of the low-income tenant occupants and the Government's investment in these properties.

The $100,000 balance of the restoration requested would provide for additional construction inspection representatives who visit the project sites during the construction period. With a larger construction workload in 1963, the small staff increase appears justified.

LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES, PUBLIC HOUSING ADMINISTRATION

(Estimate, $1,490,000; proposed by committee, $1,200,000; in act, $1,200,000)

(House hearings, pt. 2, p. 21)

(1) Page 55, line 15, strike out the figure "$1,200,000" and insert in lieu thereof "$1,490,000", the estimate, an increase of $290,000 above the amount allowed by the House committee.

HOUSE REPORT NO. 2050

(No pertinent references.)

JUSTIFICATION

The Public Housing Administration requests the restoration of $290,000 for nonadministrative expenses. This is the amount of the reduction proposed by the House. These funds are needed for delayed maintenance on three federally owned and operated projects and for a small staff of construction representatives to protect the Government's interest during the construction of new low-rent public housing. Approval of the proposed amendment will provide $1,490,000 for nonadministrative expenses, the amount of the budget estimate.

Federally owned directly operated projects

This part of the limitation applies to the operation and maintenance of three federally owned projects for which expenses are paid from rental receipts. This request is for authorization to use such funds for the operation of these projects and to begin the work necessary to bring them up to acceptable standards.

The three projects consist of 1,182 units and are located in Indiana and Oklahoma. They are occupied by low-income families and constitute the only resources of the communities involved to house such families at rents they can afford to pay. These projects are 25 years old. In past years budgets for these projects have been prepared and approved on a short-range basis since it was expected that they would not remain in Federal ownership. Maintenance work that normally would have been undertaken was deferred, and has now reached a stage where it must be undertaken to prevent the projects from deteriorating into substandard housing. Leaky and deteriorated roofs, broken sidewalks, cracked exterior walls, and unserviceable refrigerators and similar items represent hazards to the health, safety, and welfare of the tenants. These conditions discredit the Federal role of leadership in housing.

These projects remain in Federal ownership and operation for several reasons such as absence of State enabling legislation, local conditions, and lack of statutory authority to dispose of them for other than low-rent use. Efforts to dispose of these projects for low-rent use are continuing. For example, the Oklahoma State Legislative Council is completing a study which may lead to the enactment of enabling legislation and thus pave the way for the sale of the two projects in Oklahoma. In any event, it is prudent to repair the projects to protect the Government's financial investment.

Normal operating expenses for the three projects over the past few years averaged $550,000. It is estimated that expenses in 1963 will continue at the

same level. The increase of $190,000 for a total of $740,000 in 1963 is for extraordinary maintenance and repair.

Representation during construction

The other part of the limitation on nonadministrative expenses applies to the use of funds to provide representatives at public housing projects during construction. This request is for authorization to use funds collected in fees from local housing authorities for such purpose. In addition to visiting the project sites periodically during the construction period, these representatives make intermittent visits after physical completion to assist in the liquidation of construction contracts.

Construction representatives work out of the regional offices and during their visits they observe construction operations and review construction documents to determine the effectiveness of project inspection and supervision by the local authority and its architects. In addition, they review the adherence to contract requirements, advise on construction problems, and report conditions found to the regional office.

At the beginning of fiscal year 1962, 254 projects were under construction and 309 were under construction at the end of the year. The average number of projects under construction during the year was 281. Average employment was 42.8 construction representatives or 6.6 projects per man.

With 309 projects under construction at the beginning of 1963, it is currently estimated that 419 will be under construction at the end of the year, or an average of 364 for the year. The estimate of $750,000 for this activity provides an average of 49 construction representatives in 1963, or an average of 1 representative for 7.4 projects as compared with 1 representative for 6.6 projects last year.

Senator MAGNUSON. This last item is the Public Housing Administration nonadministrative expenses, and the House allowed one million two, and the Agency feels that they need $290,000 more, which was the budget estimate. One hundred and ninety thousand dollars goes for restoration of some urgently needed repairs to three federally owned projects in Oklahoma and Indiana, and the other $100,000 it has been suggested you can use for construction inspection on many projects that haven't been looked at as much as they should be.

Mr. WEAVER. That is correct.

Senator MAGNUSON. All right. Thank you very much.

LOW RENT PUBLIC HOUSING PROGRAM

Senator ALLOTT. Dr. Weaver, Senator Hruska is a member of this subcommittee. Since he was not able to be present, he has asked me to hand you this question, which is written out, and request that an answer be prepared and inserted in the record of these hearings for the information of this committee. The question concerns public housing.

Mr. WEAVER. We will have an answer prepared, Senator.

(Senator Hruska's question and the information requested are as follows:)

Question: In order that we may know where the money is going in this public housing program, and how much of its maximum obligation the Federal Government is being called upon to pay, please provide for the record a tabulation which will show (*a*) by States and communities, or at least local housing authorities, the cumulative subsidies that have been paid for public housing projects through the fiscal year 1961; (*b*) for last year, the subsidy actually paid and the ratio of the amount paid to the fixed annual contributions provided for in each of these contracts; and (*c*) whatever information is available concerning the probable future demands on the Government for projects and units already built or to be built under existing authority, in terms of the period of time during which these payments will continue; the total number of units involved; and the proportion of the fixed annual contribution commitments which will have to be actually paid out in cash.

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Alabama:			
Abbeville	$54,638	$17,785	85.6
Albertville	101,140	33,988	84.4
Aliceville	50,820	18,577	90.8
Altoona	18,451	6,137	94.3
Andalusia	47,113	39,723	72.1
Anniston	1,111,434	191,644	78.1
Arab	36,842	11,970	97.9
Ashford	19,090	12,379	64.1
Ashland		16,574	98.4
Athens	274,982	30,258	82.8
Attalla	140,098	48,953	80.1
Auburn	295,941	51,183	91.8
Bear Creek	17,861	2,384	97.3
Berry	30,758	12,018	94.6
Bessemer	307,263	194,492	59.2
Birmingham	7,168,239	1,285,135	82.7
Blountsville		12,116	98.3
Boaz	215,454	39,703	81.5
Boston	75,682	8,266	84.8
Brantley	16,863	14,596	83.5
Bridgeport	18,672	15,086	79.7
Brundige	21,598	16,007	72.7
Calera	78,102	12,370	66.1
Carbon Hill	146,349	14,901	85.0
Centre	17,467	12,621	71.1
Childersburg	51,636	36,982	87.0
Collinsville	49,309	5,686	81.9
Columbia	41,809	6,092	100.0
Columbiana	275,123	68,831	98.6
Cordova	173,560	23,517	99.3
Cottonwood	57,231	8,284	100.0
Cullman	324,292	58,285	100.0
Decatur	1,198,604	233,746	85.7
Demopolis	116,827	38,665	78.2
Dothan	558,675	87,710	100.0
Elba	103,511	18,791	77.9
Enterprise	61,489	19,540	84.9
Eufaula	250,818	67,174	100.0
Eutaw		26,927	98.4
Fairfield	236,472		
Fayette	47,686	23,616	85.2
Florala	53,023	18,899	95.2
Florence	853,892	124,157	98.6
Fort Payne	250,247	23,227	82.5
Gadsden	2,238,189	302,524	100.0
Georgiana	147,795	19,788	89.7
Gordo	10,067	8,397	80.4
Greenville		55,791	85.3
Guin	101,472	12,994	100.0
Guntersville	54,354	43,168	74.3
Hackleburg	22,970	2,651	92.3
Haleyville	188,745	32,777	100.0
Hamilton	131,777	11,812	78.6
Hanceville	18,655	15,146	71.9
Hartford	41,180	14,874	91.2
Hartselle	131,459	17,257	82.6
Headland	39,472	23,152	98.2
Heflin	42,532	15,031	87.8
Huntsville	1,849,037	367,571	63.1
Jacksonville	27,417	18,889	68.1
Jasper	248,418	31,585	98.7
Jefferson County	457,284	67,256	82.0
Lanett	615,837	75,678	100.0
Leeds	80,589	8,473	45.9
Linden	66,748	21,694	91.5
Lineville	36,827	12,139	92.3
Luverne	101,382	19,567	68.4
Midland City	10,653	7,401	68.3
Millport	66,492	8,949	100.0
Mobile	3,328,116	586,155	100.0
Montevallo	140,258	31,329	91.3
Montgomery	2,064,056	359,096	70.8
Moulton	75,032	9,844	100.0

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Alabama—Continued			
Newton	$8,125	$5,718	69.3
Oneonta	131,232	20,071	100.0
Opelika	387,321	73,507	82.0
Opp	76,634	25,107	91.6
Ozark	223,712	26,839	79.9
Pell City	55,024	17,929	72.0
Phenix City	936,779	190,337	68.2
Phil Campbell	53,645	7,756	94.2
Piedmont	44,382	15,574	81.2
Prattville	35,203	27,359	76.3
Ragland	29,528	10,882	98.2
Red Bay	96,898	10,117	77.8
Reform	51,502	6,738	96.5
Roanoke	126,755	16,214	97.8
Russellville	216,753	19,075	74.3
Samson	30,291	17,936	80.5
Scottsboro	75,722	25,411	84.4
Selma	775,861	88,463	76.7
Sheffield	250,486	94,970	78.2
Slocomb	8,320	6,750	78.4
Sulligent	42,302	22,382	90.0
Sylacauga	407,220	61,184	98.1
Talladega	122,460	45,590	100.0
Tuscaloosa	826,829	96,317	62.7
Tuscumbia	209,842	25,082	93.8
Union Springs	127,402	18,595	94.6
Valley Head		5,066	98.1
Vernon	77,750	27,009	96.8
Vincent	80,204	10,454	84.8
Walker County		24,065	98.2
Washington County		19,405	98.6
Winfield	86,318	9,339	80.9
York		15,231	98.2
Arizona:			
Flagstaff	189,280	36,397	89.8
Glendale	175,828	17,286	54.0
Maricopa County	696,071	122,736	81.2
Mesa	167,825	14,335	52.1
Phoenix	1,526,796	181,630	50.6
Pinal County	175,699	26,881	77.2
Tuscon	65,500	18,126	100.0
Winslow	32,088	15,061	100.0
Arkansas:			
Arkadelphia	161,825	23,149	100.0
Blytheville	465,153	57,239	76.9
Camden	419,303	50,953	100.0
Conway	17,544	4,642	100.0
Fort Smith	488,649	62,488	80.3
Little River County		18,800	88.6
Little Rock	3,251,510	392,278	100.0
Magnolia	156,077	23,746	100.0
North Little Rock	500,143	32,100	100.0
Osceola		61,522	78.7
Texarkana	439,255	88,988	98.0
California:			
Benicia	181,002	30,841	93.4
Brawley	329,492	40,770	99.3
Butte County	55,117	60,263	71.6
Calexico	159,180	33,709	94.2
Calipatria	23,766	12,153	100.0
Contra Costa County	977,204	209,468	87.2
El Centro	120,403	11,231	73.4
Eureka	83,500	15,022	42.4
Fresno City	2,057,006	272,804	100.0
Fresno County	700,135	115,548	100.0
Holtville	81,910	9,478	95.1
Imperial	27,149	2,851	71.8
Imperial County	136,454	26,297	100.0
Kern County	773,481	108,211	81.4
Los Angeles City	12,815,523	2,311,754	93.6
Los Angeles County	10,884		
Marin County	269,288	150,494	71.0
Merced County	327,948	40,505	79.8

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
California—Continued			
Monterey County	$276,431	$25,759	52.7
Needles	141,762	18,971	97.5
Oakland	90,221		
Oxnard	444,883	111,030	62.9
Port Hueneme	61,681	5,096	46.5
Richmond	307,247	38,731	35.1
Riverbank	62,048	5,768	57.9
Riverside County	69,970	11,043	68.5
Sacramento City	252,816	136,703	70.6
Sacramento County	12,875	61,098	83.3
San Bernardino County	2,171,728	318,004	87.0
San Buenaventura	203,415	70,265	84.5
San Francisco	9,296,130	1,975,715	80.2
San Joaquin County	1,535,347	323,345	100.0
San Pablo	131,384	21,438	65.8
Santa Barbara County	74,443	28,776	66.0
Soledad	41,385	3,717	38.2
South San Francisco	19,550		
Stanislaus County	608,991	76,740	77.2
Sutter County	60,286	7,199	65.2
Tulare County	34,875	17,544	86.6
Upland	8,365		
Wasco	48,337	7,575	100.0
Westmoreland	32,166	3,433	80.7
Yolo County	328,978	33,687	59.5
Colorado:			
Denver	5,882,830	1,030,738	87.3
Pueblo	446,985	69,091	79.9
Connecticut:			
Bridgeport	5,652,163	707,104	96.6
Danbury	234,033	95,219	85.8
East Hartford	341,683	42,608	84.9
Greenwich	316,238	43,181	73.7
Hartford	5,540,685	593,500	100.0
Manchester		52,573	85.3
Meriden		94,615	86.1
Middletown	174,893	35,120	100.0
New Britain	923,864	124,844	70.7
New Haven	3,790,675	462,988	100.0
Norwalk	881,836	89,283	66.6
Norwich	214,657	26,530	68.3
Putnam	123,474	70,425	84.1
Stamford	1,176,433	131,738	72.5
Waterbury	1,021,478	160,907	100.0
Willimantic	352,462	38,019	85.5
Delaware: Wilmington	2,034,041	544,912	95.0
Florida:			
Apalachicola		31,725	98.2
Bartow	171,141	21,331	63.9
Bradenton	316,909	69,066	62.6
Brevard County	234,897	44,877	92.5
Chipley	32,886	22,998	69.0
Cocoa	172,408	70,849	76.5
Daytona Beach	1,024,607	178,303	92.7
De Funiak Springs	26,669	18,696	69.2
Fernandina Beach	30,458	27,267	86.2
Flagler County	36,039	14,325	98.3
Fort Lauderdale	434,618	97,084	100.0
Jacksonville	2,087,560	64,506	75.7
Key West	833,508	141,687	100.0
Lakeland	539,989	38,385	37.6
Marianna	83,734	32,142	87.5
Miami	2,623,728	649,304	90.6
Miami Beach	126,325	10,990	55.4
New Smyrna Beach	113,410	15,949	86.0
Northwest Florida region	149,210	106,948	94.0
Orlando	1,616,129	96,737	36.9
Pahokee	142,225	53,894	77.9
Panama City	537,943	64,868	67.7
Pensacola	541,585	87,802	74.4
Plant City	216,811	83,235	86.5
Pompano Beach	114,951	48,018	83.9
St. Petersburg	1,032,420		

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Florida—Continued			
Sanford	$825,796	$110,362	100.0
Sarasota	285,491	71,268	77.4
Seminole County	50,088	18,838	100.0
Springfield	33,689	17,095	76.4
Tampa	4,851,248	533,652	58.2
Titusville	70,868	11,426	100.0
West Palm Beach	172,579	44,134	90.5
Georgia:			
Abbeville	7,420	5,317	70.3
Acworth	68,589	24,687	87.2
Adel	141,197	17,946	95.3
Alamo	19,518	10,175	86.7
Albany	965,899	133,395	81.8
Alma	54,816	32,847	100.0
Americus	808,107	92,943	80.4
Arlington	58,080	8,344	94.6
Ashburn	164,914	17,151	89.0
Athens	772,910	164,940	99.5
Atkinson County	27,851	8,469	83.5
Atlanta	8,115,881	1,401,320	90.8
Augusta	2,483,653	402,715	85.0
Bainbridge	425,967	81,688	96.4
Barnesville	82,249	28,079	87.1
Baxley	234,232	38,543	83.9
Blackshear	82,495	12,078	100.0
Blakely	190,812	27,004	91.6
Blue Ridge	11,147	9,339	80.7
Boston	118,809	11,344	85.9
Bowden	17,467	14,301	78.9
Brunswick	1,003,657	127,667	99.8
Buena Vista	46,641	16,710	85.1
Buford	327,088	38,632	83.3
Cairo	96,844	29,699	80.9
Calhoun	155,277	22,054	87.1
Camilla	403,293	68,982	91.9
Carrollton	287,183	34,647	80.2
Cartersville	346,493	75,815	87.4
Cave Spring	55,722	6,664	84.5
Cedartown	547,810	83,792	99.1
Chatsworth		11,589	98.1
Clarkesville	102,293	15,735	98.7
Claxton	49,113	16,680	84.6
Clayton	55,844	7,025	95.7
Cleveland		7,714	98.0
Cochran	202,920	23,511	93.0
Colquitt	16,686	12,684	73.4
Columbus	3,199,134	510,532	98.0
Comer	72,501	9,507	100.0
Commerce	143,635	18,318	96.3
Conyers	24,219	17,341	63.5
Cordele	691,576	100,837	99.8
Cornelia	73,761	8,495	99.5
Crawfordville		9,080	98.1
Dahlonega	45,286	13,955	79.6
Dallas	37,743	14,365	93.9
Dalton	251,409	27,816	77.9
Danielsville	73,526	7,581	68.4
Dawson	262,736	29,828	99.0
Decatur	219,396	11,237	33.1
Doerun	44,481	4,656	70.5
Douglas	372,649	63,741	88.0
Douglas County	125,870	33,908	85.5
Dublin	480,296	59,678	83.2
Eastman	260,270	44,040	100.0
East Point	533,556	52,741	71.5
Eatonton	125,456	15,296	84.6
Edison	31,630	10,147	89.6
Elberton	375,793	69,695	100.0
Ellijay	34,257	20,791	95.9
Fairburn	14,096	10,039	70.3
Fitzgerald	390,503	47,564	96.2
Fort Gaines	33,085	11,724	90.0
Fort Valley		43,047	87.4

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Georgia—Continued			
Gainesville	$715,118	$111,755	91.0
Gibson		7,829	98.0
Glennville	142,908	36,978	99.8
Glenwood	5,865	4,339	72.9
Greensboro	126,327	14,206	91.1
Griffin	542,815	56,587	75.7
Hahira	42,484	4,685	78.6
Hampton	64,719	8,812	94.7
Harlem	18,570	6,403	86.0
Harris County	23,134	23,307	99.5
Hartwell	154,825	27,287	86.5
Hawkinsville	192,897	21,316	93.2
Hazelhurst	147,908	22,735	89.5
Hogansville	184,192	23,793	100.0
Homerville	53,296	17,994	86.7
Jackson	29,974	18,136	95.8
Jasper	12,159	8,230	66.7
Jefferson	46,236	15,934	87.7
Jesup	272,274	55,227	97.5
Lafayette	106,676	39,250	91.6
LaGrange	1,009,845	133,075	89.5
Lakeland	49,186	6,607	96.3
Lavonia	160,707	37,206	76.7
Lawrenceville	152,427	60,775	98.6
Lee County	114,068	18,011	86.8
Lincolnton		18,584	98.6
Lithonia	23,739	16,915	70.2
Loganville	25,452	7,782	82.9
Louisville	35,027	11,186	82.1
Lumber City	12,226	8,943	71.7
Lyons	164,564	31,093	100.0
Macon	836,917	112,019	94.8
Madison	35,325	28,110	78.5
Manchester	111,733	10,837	73.1
Marietta	876,503	132,298	86.5
McDough	26,407	11,798	74.2
McRae	104,835	11,772	96.5
Metter	30,220	15,404	81.2
Milledgeville	75,648	67,832	79.1
Millen	78,536	26,224	89.9
Monroe	255,166	44,642	69.3
Montezuma	67,837	22,972	89.3
Monticello	20,870	19,338	89.5
Moultrie	753,794	127,160	94.8
Nashville	298,787	43,794	87.9
Newman	291,727	54,475	77.9
Newton	18,126	9,005	76.5
Nicholls	52,353	6,278	100.0
Ocilla	45,939	15,565	88.8
Palmetto	21,955	12,798	93.4
Pearson	26,407	10,064	100.0
Pelham	159,985	26,319	100.0
Quitman	148,857	19,206	100.0
Rochelle	20,185	6,793	88.3
Rockmart	189,266	23,120	100.0
Rome	1,403,787	145,914	98.4
Roswell	116,139	23,677	88.5
Royston	126,581	15,180	77.6
St. Marys	72,101	9,562	83.0
Sandersville	62,258	28,389	77.8
Savannah	3,129,984	504,241	81.3
Screven County	38,041	4,653	89.0
Senoia	15,690	11,318	71.2
Social Circle	41,146	13,979	94.1
Statesboro	193,367	32,448	91.7
Stewart County	111,851	16,257	89.2
Summerville	102,033	34,487	82.5
Swainsboro	218,866	31,115	90.1
Sylvania	55,237	19,352	88.8
Sylvester	161,012	25,487	74.1
Talbotton	30,631	10,396	88.2
Tallapoosa	120,925	16,053	94.5
Tennille	29,984	14,353	74.6

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Georgia—Continued			
Thomasville	$649,039	$86,029	100.0
Thomson	63,177	34,201	81.4
Tifton	421,347	63,728	89.3
Tocca	190,986	58,669	87.1
Unadilla		12,463	98.4
Union City	10,089	6,980	68.3
Union Point	14,434	11,919	81.5
Valdosta	1,064,743	207,013	94.2
Vidalia	73,792	26,146	94.9
Vienna	15,199	13,186	85.4
Villa Rica	82,207	31,134	89.6
Warner Robins	48,996	29,119	54.4
Warrenton	99,844	23,163	100.0
Washington	71,432	23,924	90.2
Waycross	689,520	90,286	88.1
Waynesboro	497,727	70,468	80.1
West Point	153,415	17,736	94.2
Winder	54,578	46,054	77.1
Wrightsville	34,896	18,419	93.5
Idaho:			
Namps	242,233	11,613	42.1
Twin Falls	155,653	6,163	56.7
Illinois:			
Alexander County	897,285	89,986	100.0
Bloomington	379,546	76,810	100.0
Calhoun County	88,715	14,097	100.0
Champaign County	501,398	101,298	83.4
Chicago	28,616,808	8,245,866	96.6
Christain County	224,791	28,625	100.0
Cook County	514,453	127,095	80.9
Danville	1,272,397	165,367	100.0
Decatur	75,255	43,160	100.0
DeWitt County	227,705	30,610	100.0
East St. Louis	3,351,978	841,042	85.0
Freeport	422,098	65,606	99.9
Granite City	1,156,358	172,507	100.0
Henry County	402,852	50,018	100.0
Jackson County	90,338	63,741	100.0
Joliet	186,258	76,195	87.8
Lake County		65,242	76.3
La Salle County	700,295	124,456	97.7
Lee County	161,114	27,989	83.6
Logan County	288,088	30,165	70.0
Macoupin County	211,371	85,867	93.3
Madison County	2,246,380	328,880	100.0
Mason County	145,744	19,739	100.0
Massac County	322,755	42,414	100.0
Menard County	133,610	29,236	94.0
Montgomery	492,835	72,180	100.0
Pekin	274,813	20,111	44.4
Peoria	3,853,074	504,050	100.0
Perry County	131,143	53,171	100.0
Quincy	469,286	54,639	100.0
Randolph County	130,656	51,032	81.7
Rock Island	239,825	32,661	47.8
Rock Island County	219,267	46,722	100.0
Saline County	638,040	111,552	96.1
Springfield	404,225	75,202	98.3
Vermilion	297,818	35,863	100.0
Whiteside County	422,732	45,870	82.9
Williamson County	198,721	111,574	74.3
Winnebago County	40,559	16,188	100.0
Indiana:			
Delaware County	244,212	17,010	100.0
Evansville	919,852	172,297	100.0
Fort Wayne	75,499		
Gary	2,592,578	84,108	37.7
Hammond	458,731	86,971	100.0
Kokomo	587,027	41,714	93.7
Muncie	602,151	94,022	100.0
New Albany	1,073,712	200,943	100.0
South Bend	137,542	109,152	66.2
Tell City	111,332	11,907	83.2
Vincennes	210,329	16,252	100.0

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Kentucky:			
Barbourville		$26,008	98.4
Covington	$2,179,651	236,940	82.1
Cynthiana	56,185	40,899	64.7
Danville	227,120	43,754	69.7
Frankfort	197,738	6,615	41.1
Glasgow	60,443	36,761	54.5
Hazard		58,313	84.9
Henderson	515,495	56,081	75.9
Hopkinsville	535,661	64,996	77.2
Lebanon	39,595	28,806	70.5
Lexington	2,875,180	337,602	70.8
Louisville	11,136,850	1,169,505	80.2
Madisonville	335,179	29,121	69.1
Maysville	285,259	29,859	59.6
Middlesborough	334,582	45,217	100.0
Mount Sterling	99,888	37,253	78.1
Newport	870,269	133,319	84.2
Owensboro	1,214,672	167,708	81.0
Paducah	1,703,316	204,508	86.2
Paris	255,174	57,248	83.7
Richmond	423,848	49,165	68.4
Russellville		47,773	84.9
Somerset	235,390	32,116	80.7
Williamsburg		23,420	98.6
Winchester	277,270	57,970	80.3
Louisiana:			
Abbeville	186,460	32,281	91.9
Alexandria	24,839	5,486	33.0
Arcadia	22,586	7,260	88.3
Basile	30,047	9,925	84.8
Bogalusa	604,669	94,277	85.0
Bossier City	403,443	77,297	78.7
Breaux Bridge	38,255	13,318	91.5
Bunkie	52,564	20,822	88.3
Church Point	90,511	19,560	99.0
Crowley	208,126	56,797	93.2
Delcambre		8,188	86.0
Donaldsonville	91,463	32,932	100.0
East Baton Rouge	87,818	7,773	48.8
Erath		9,554	98.0
Eunice	189,922	20,110	70.8
Gueydan	32,013	3,660	91.2
Jonesboro	37,543	12,401	77.2
Kaplan	111,207	11,900	83.9
Lafayette	243,872	24,135	78.3
Lake Arthur	106,498	19,365	92.6
Lake Charles	507,484	176,919	99.0
Mamou	115,537	24,297	100.0
Marksville	128,916	19,437	80.5
Monroe	1,055,449	130,183	69.8
Morgan City	191,013	42,252	77.1
New Iberia	396,328	51,982	90.4
New Orleans	26,886,957	2,941,816	85.5
Oakdale	179,945	20,267	86.4
Opelousas		163,938	100.0
Pineville	50,529	19,272	91.4
Rayne	231,481	37,674	100.0
Ruston	111,571	30,698	76.0
St. Martinville	117,427	15,419	74.1
Shreveport	747,175	87,951	67.3
Sulphur		21,476	89.7
Thibodaux	103,578	32,720	68.5
Ville Platte	230,417	35,976	79.2
Welsh	48,996	6,308	100.0
Maine:			
Fort Fairfield	128,955	18,267	92.7
Van Buren	224,512	29,652	100.0
Maryland:			
Annapolis	749,700	57,130	61.9
Baltimore	19,701,624	3,149,547	99.2
Cumberland	580,269	116,280	82.6
Frederick	484,833	82,326	78.6
Frostburg		29,549	78.7
Hagerstown	1,036,456	165,550	81.3
Rockville	95,783	38,038	100.0

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Massachusetts:			
Boston	$21,158,478	$3,021,570	100.0
Brockton	350,596	47,990	100.0
Cambridge	1,634,536	246,642	100.0
Chelsea	765,646	61,269	65.2
Chicopee	94,698	51,811	51.2
Clinton	127,044	64,834	82.2
Fall River	2,709,595	262,625	100.0
Framingham	394,771	46,563	70.3
Gloucester	239,335	38,631	79.8
Holyoke	746,817	238,445	99.4
Lawrence	1,442,280	185,690	74.5
Lowell	2,698,998	422,703	100.0
Lynn	1,051,414	147,264	100.0
Malden	495,372	56,314	48.7
Medford	497,009	80,812	100.0
New Bedford	2,417,572	239,206	75.4
North Adams		73,759	75.0
Northampton	176,031	21,182	93.6
Quincy	533,617	73,518	91.7
Revere	366,279	52,409	91.2
Somerville	755,096	132,079	99.3
Taunton	485,142	67,304	100.0
Woburn	327,007	43,833	100.0
Worcester	2,213,417	277,109	100.0
Michigan:			
Albion	361,569	36,867	81.3
Alpena	220,933	45,332	100.0
Baraga	33,925	3,676	79.2
Belding	57,018	7,474	88.0
Benton Harbor	529,787	74,977	99.2
Bessemer	108,218	15,459	100.0
Bronson	81,055	11,735	100.0
Cheboygan		31,331	98.4
Detroit	14,659,323	2,364,788	100.0
Ecorse	115,786	128,202	91.7
Hamtramck	121,608	28,271	100.0
Inkster	246,826	146,820	73.0
Mount Clemens	101,870	49,854	69.5
Pontiac	1,226,021	181,743	98.5
River Rouge	454,870	105,033	99.9
Saginaw	498,474	116,846	65.1
South Lyon	43,285	6,551	100.0
Wayne	27,587	22,289	79.2
Minnesota:			
Chisholm	158,918	22,900	75.6
Duluth	703,576	81,247	87.2
Eveleth	56,834	17,452	80.9
Hibbing	340,997	32,771	74.6
Minneapolis	1,496,123	642,952	92.2
St. Paul	3,286,284	719,183	100.0
Virginia	278,862	36,208	75.9
Winona	367,827	66,171	100.0
Mississippi:			
Aberdeen	93,506	36,127	95.6
Amory		27,680	98.1
Bay St. Louis	129,844	19,212	96.2
Biloxi	807,010	115,742	87.6
Booneville	150,073	17,243	85.4
Brookhaven	380,689	40,458	91.9
Canton	314,579	40,030	100.0
Clarksdale	245,143	26,719	88.3
Columbus	241,270	141,929	77.6
Corinth	276,850	56,649	82.9
Hattiesburg	339,415	38,896	100.0
Holly Springs	156,504	31,978	88.9
Iuka	32,095	9,950	79.3
Laurel	510,904	64,447	66.4
Louisville	37,657	28,865	75.4
McComb City	870,828	193,630	100.0
Meridian	1,485,745	167,847	94.8
Mississippi, region No. 7	20,532	21,072	100.0
Mississippi, region No. 8	560,183	361,849	91.1
Okolona	60,083	19,615	81.6

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Mississippi—Continued			
Picayune	$127,443	$54,250	89.9
Richton	54,106	7,364	97.5
Sardis	18,260	14,219	76.9
Starkville	88,240	30,496	82.2
Tupelo		64,704	78.4
Walnut	13,878	10,759	75.1
Water Valley	36,946	18,982	87.8
Waynesboro	111,468	17,408	100.0
West Point	265,178	31,297	92.1
Winona	38,178	28,679	100.0
Yazoo City	238,844	35,246	100.0
Missouri:			
Charleston		38,813	78.4
Columbia	78,226	38,311	100.0
Kansas City	3,514,362	950,735	74.3
Kinloch	81,768	76,107	100.0
St. Charles	47,136	25,521	86.3
St. Louis	15,447,727	3,098,283	94.5
Sikeston	70,413	53,400	66.6
Montana:			
Anaconda	145,863	31,606	75.8
Butte	489,019	45,623	94.1
Great Falls	135,822	107,511	85.1
Helena	206,245	24,241	66.9
Richland County	82,584	9,902	43.7
Nebraska:			
Hall County	27,594	19,026	67.8
Omaha	4,230,290	274,433	60.4
Nevada:			
Las Vegas	350,582	148,221	71.1
Reno	120,179	56,413	69.0
New Hampshire:			
Dover	409,980	54,987	82.2
Manchester	1,816,440	208,946	100.0
Nashua	355,810	78,832	97.3
Portsmouth	169,920	66,095	82.4
New Jersey:			
Asbury Park	1,000,301	169,154	85.5
Atlantic City	2,060,231	229,041	100.0
Bayonne	1,403,505	212,133	68.8
Beverly	192,663	16,650	100.0
Bridgeton		59,324	86.6
Burlington	8,754	7,803	100.0
Camden	3,182,963	462,758	100.0
Edison Township	80,309	47,940	100.0
Elizabeth	1,652,981	171,253	49.2
Florence	156,223	21,288	87.3
Franklin Township	94,975	33,760	87.0
Garfield	464,232	85,464	91.8
Guttenberg	127,452	92,473	84.5
Hackensack	595,432	137,056	88.5
Harrison	726,793	56,771	71.1
Highland Park		19,834	98.4
Highlands	104,093	11,314	69.0
Hoboken	3,093,456	407,823	74.0
Irvington	324,048	39,551	66.6
Jersey City	7,911,570	1,483,613	100.0
Lodi	443,834	56,033	97.4
Long Branch	1,312,349	199,038	87.5
Morristown	451,177	95,912	97.1
Neptune Township		32,742	67.5
Newark	20,546,391	3,950,094	98.7
New Brunswick	1,261,754	252,925	86.1
North Bergen	616,793	45,556	100.0
Orange	1,052,039	166,616	100.0
Passaic	1,669,786	217,408	84.0
Paterson	3,294,052	692,864	76.2
Perth Amboy	1,575,817	148,807	85.7
Phillipsburg	410,745	87,541	92.1
Plainfield	398,895	124,624	72.7
Princeton	220,085	27,800	100.0
Rahway	260,657	34,502	100.0
Red Bank	45,660	29,325	97.0

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
New Jersey—Continued			
South Amboy	$240,247	$30,499	87.4
Trenton	3,336,793	440,099	93.8
Union City	897,130	109,399	62.3
West New York	734,157	156,325	85.0
Woodbridge Township	502,160	67,001	100.0
New Mexico:			
Alamogordo	126,560	19,121	70.1
Clovis	207,957	27,310	100.0
New York:			
Albany	1,686,078	292,508	55.2
Binghamton	560,989	82,151	100.0
Buffalo	8,098,691	887,091	100.0
Catskill	146,841	62,494	93.6
Cohoes		74,871	85.7
Freeport	151,729	57,681	80.6
Herkimer	172,741	24,896	88.1
Mechanicville	257,186	48,960	90.0
New York City	100,496,728	21,188,655	94.7
Niagara Falls		55,416	66.6
North Tarrytown		52,475	75.3
Plattsburgh	522,980	120,306	75.3
Port Chester	371,207	80,235	56.5
Saratoga Springs	253,221	33,875	79.9
Schenectady	12,397	12,618	100.0
Syracuse	3,691,087	422,843	89.8
Tarrytown	263,968	32,410	88.9
Troy	2,135,786	340,641	100.0
Tuckahoe	371,688	34,779	68.6
Utica	517,698	34,790	100.0
Watertown	794,878	131,514	79.9
Watervliet	118,943	62,853	66.9
Yonkers	3,350,276	270,244	76.1
North Carolina:			
Asheville	1,551,256	249,918	100.0
Charlotte	2,245,600	177,465	71.8
Concord	351,887	56,860	89.1
Durham	1,301,127	247,971	93.9
Eastern Carolina region	835,171	104,481	90.9
Fayetteville	1,139,831	131,110	84.0
Goldsboro	1,423,769	158,330	75.3
Greensboro	2,383,006	364,410	87.3
High Point	770,954	49,885	63.3
Kinston	1,308,195	154,516	80.9
Laurinburg	233,109	42,256	100.0
Lumberton	366,691	49,126	100.0
New Bern	980,088	138,909	100.0
Raleigh	1,771,391	274,886	87.6
Rocky Mount	638,502	124,292	68.2
Salisbury	443,070	66,365	98.1
Tarboro	160,397	19,049	67.4
Wilmington	2,109,544	224,816	94.8
Wilson		93,512	77.9
Winston-Salem	3,329,865	485,209	92.4
North Dakota: Williston	65,551	18,674	53.2
Ohio:			
Akron	682,278	107,183	82.6
Cincinnati	4,992,117	1,261,692	97.0
Cleveland	5,786,012	1,254,577	96.5
Columbus	1,489,623	614,574	93.8
Dayton	478,084	110,357	31.7
Hamilton	337,513	107,469	100.0
Lorain	502,902	111,788	58.4
Portsmouth	324,159	57,630	100.0
Steubenville	217,533	134,266	76.2
Toledo	1,231,485	252,844	93.3
Warren	234,872	42,847	100.0
Youngstown	681,200	111,212	81.6
Zanesville	322,419	54,240	100.0
Oregon:			
Clackamas County		12,822	100.0
Douglas County	120,618	20,794	64.6
Lane County		82,469	86.4
Lincoln County	149,715	24,168	100.0
Portland	406,267	77,669	100.0
Umatilla County	100,284	14,038	100.0

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Pennsylvania:			
Allegheny County	$3,894,203	$662,124	88.3
Allentown	530,232	23,361	25.3
Beaver County	1,250,555	296,243	95.5
Bethlehem	1,199,028	199,546	100.0
Carbondale	77,701	49,516	89.7
Chester	2,378,571	361,283	100.0
Connellsville	231,434	39,855	81.6
Delaware County	403,228	80,352	100.0
Easton	677,807	103,545	100.0
Erie	111,120	19,537	57.9
Fayette County	2,199,975	325,381	100.0
Harrisburg	2,421,833	347,168	53.6
Huntingdon County	304,685	39,614	87.4
Johnstown	1,710,705	499,833	97.3
Lawrence County	184,540	93,530	80.4
Lycoming	341,450	41,396	77.2
McKeesport	1,051,136	322,050	71.1
Meadville		64,777	88.0
Mercer County	729,602	182,378	84.8
Monroe County	146,272	46,706	77.1
Montgomery County	788,307	99,293	94.5
Montour County	38,497	29,378	75.0
Philadelphia	18,061,462	3,605,194	84.7
Pittsburgh	10,676,976	2,125,561	87.4
Reading	1,846,096	220,244	64.1
Scranton	1,594,505	207,376	91.5
Somerset County		80,684	73.5
Washington County	1,255,311	181,533	100.0
Westmoreland County	326,657	70,465	91.9
York	680,525	142,365	85.9
Rhode Island:			
Newport	564,722	87,687	100.0
Pawtucket	1,177,999	184,786	100.0
Providence	6,111,695	870,327	100.0
Woonsocket	1,609,796	213,684	100.0
South Carolina:			
Abbeville	373,755	43,903	100.0
Aiken	433,096	82,620	95.7
Charleston	2,074,548	71,334	25.8
Columbia	3,370,367	352,719	88.4
Gaffney	328,498	36,667	72.9
Greenville	1,482,481	161,717	73.8
Greer	146,854	17,980	77.9
Lake City	52,016	30,336	54.5
Laurens	326,798	31,778	80.6
South Carolina, region No. 1	2,083,676	327,630	83.5
Spartanburg	1,805,141	186,477	96.6
Union	68,625	43,038	56.6
Tennessee:			
Athens	284,205	42,494	100.0
Brownsville	184,356	34,519	75.6
Chattanooga	4,964,748	531,528	76.3
Clarksville	733,869	88,393	68.3
Clinton	152,499	20,575	100.0
Columbia		61,767	80.1
Cookeville	112,250	46,310	58.6
Covington	45,304	37,142	76.7
Crossville	34,336	26,667	74.5
Dyersburg	96,074	89,572	91.6
Etowah	113,803	15,839	79.6
Fayetteville	559,109	78,153	80.3
Franklin	115,285	47,632	91.9
Gallatin	292,313	82,306	96.0
Humboldt	165,403	50,788	79.4
Jackson	1,454,443	146,305	76.4
Jefferson City	116,338	25,283	75.5
Jellico	45,750	17,868	98.1
Johnson City	1,027,895	165,584	89.9
Kingsport	937,618	82,650	100.0
Knoxville	4,545,545	437,007	96.1
La Follette	383,043	64,205	97.7
Lawrenceburg		29,717	80.1
Lebanon	547,586	150,278	82.6
Lewisburg	139,411	50,385	94.2

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Tennessee—Continued			
Lexington	$58,366	$29,543	84.5
Manchester	107,239	22,461	100.0
Memphis	5,040,968	675,927	51.1
Morristown	152,530	74,332	74.5
Murfreesboro	487,142	127,123	75.9
Nashville	11,004,352	1,367,866	94.4
Paris	155,458	18,419	70.5
Pulaski	405,583	46,477	97.1
Rockwood	100,195	13,282	71.8
Rogersville		25,880	98.6
South Pittsburgh	25,965	20,642	78.4
Springfield	159,637	53,090	84.1
Sweetwater	98,243	9,593	65.6
Trenton	230,140	47,206	88.5
Tullahoma	355,804	47,048	100.0
Union City	419,193	55,432	90.0
Waverly	46,676	36,937	89.8
Texas:			
Alamo	112,077	13,659	88.0
Anson	32,353	11,836	99.1
Archer City	30,367	3,350	82.1
Austin	2,188,150	195,786	83.1
Avinger	65,702	9,021	100.0
Ballinger	127,353	13,252	90.9
Bay City	170,586	22,404	65.7
Baytown	172,104	60,826	95.6
Beaumont	1,153,762	161,970	82.0
Beeville	37,036	27,508	69.6
Bells	23,377	2,684	78.8
Bonham	277,830	44,520	92.6
Borger	288,821	30,424	53.8
Breckenridge	60,222	21,929	83.5
Bridgeport	44,809	4,630	71.1
Brownsville	1,344,840	191,244	82.0
Brownwood	496,796	30,442	49.4
Bryan	250,586	85,368	89.5
Bryson	20,263	6,161	95.8
Burkburnett	90,782	16,291	96.2
Caldwell	74,732	11,063	84.8
Calvert	49,050	17,022	98.7
Cameron	60,395	19,325	85.8
Canyon	53,479	5,028	82.5
Cisco	138,835	12,759	79.5
Clarendon		8,949	97.9
Colorado City		20,918	87.5
Comanche		13,220	90.8
Commerce	216,846	20,286	79.4
Cooper	87,292	10,566	98.5
Corpus Christi	894,159	122,656	78.0
Corsicana	544,970	55,801	80.2
Crystal City	104,952	18,106	88.2
Daingerfield	110,314	12,797	100.0
Dallas	11,218,505	1,675,547	87.6
Dayton		10,932	97.8
Decatur	13,575	12,679	85.4
DeKalb		11,177	98.0
DeLeon	48,786	6,303	100.0
Del Rio	284,755	37,903	99.4
Denison	478,955	54,267	80.5
Dublin	155,086	16,658	77.9
Eagle Pass	292,044	55,919	93.6
Ector	24,319	3,109	91.4
Edinburg	232,711	31,294	85.0
Edna	72,338	7,859	83.4
Electra	129,385	14,637	86.7
El Paso	1,658,710	220,928	68.8
Ennis	221,037	28,700	100.0
Fort Worth	1,488,957	154,709	81.4
Galveston	2,346,413	362,246	100.0
Gilmer	134,358	14,766	77.0
Gladewater	202,217	23,270	100.0
Gonzales	173,261	33,055	100.0
Gunter	4,424	4,111	81.2
Haltom City	75,208	25,833	93.8
Hamilton	58,949	6,966	100.0

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Texas—Continued			
Harlingen	$396,564	$92,672	82.1
Haskell	133,290	13,089	85.9
Hearne	180,467	19,825	91.3
Henderson	182,295	24,970	100.0
Henrietta	72,971	6,576	69.6
Honey Grove	64,155	11,244	90.9
Houston	3,227,045	378,639	93.5
Howe	23,802	3,411	80.9
Huges Springs		12,254	96.2
Jefferson	137,157	16,700	100.0
Kenedy	54,484	21,101	97.1
Killeen	179,156	18,432	73.6
Kingsville	297,432	62,908	87.7
Knox City	66,418	8,317	80.6
Landonia	45,007	5,830	100.0
Laredo	711,253	177,384	85.0
Leonard	40,023	5,149	96.7
Linden		8,440	87.3
Lubbock	58,526		
Luling	226,537	26,065	100.0
Mathis	18,282	16,912	85.8
McAllen	414,312	45,809	77.7
McGregor	90,736	9,974	74.6
McKinney	237,351	34,644	74.4
McLean	6,495	6,072	82.9
Mercedes	339,756	39,091	100.0
Merkel	12,435	12,211	89.9
Mission	239,083	27,764	95.5
Moody	33,533	4,358	83.4
Munday	67,061	9,495	98.2
Naples	40,092	14,882	99.7
New Boston	106,263	13,325	100.0
Nixon		12,255	97.8
Olney	99,046	13,187	94.8
Omaha	28,160	10,382	94.6
Orange City	822,970	92,669	85.7
Orange County	391,525	56,390	86.0
Overton	62,960	6,850	70.2
Paducah	68,668	7,467	81.1
Paris	515,251	60,218	87.8
Pharr	248,907	28,133	100.0
Pittsburg	200,794	20,591	100.0
Port Arthur	842,263	110,177	87.2
Port Isabel		14,036	83.4
Pottsboro	15,904	2,766	74.2
Quanah	103,164	9,816	79.7
Ranger	145,011	11,976	77.8
Rising Star		5,746	96.2
Rockwall	30,386	3,545	81.4
Runge		4,707	98.0
San Antonio	9,736,716	1,354,114	94.0
San Benito	362,872	47,309	93.9
San Marcos	136,827	18,703	100.0
Savoy	22,799	7,912	98.3
Seymour	129,192	12,739	79.5
Spearman		6,085	98.0
Stamford		16,539	90.2
Sweetwater	273,721	30,585	95.3
Tahoka	6,795	4,860	64.1
Taylor	208,335	23,460	100.0
Temple	301,593	30,388	73.3
Texarkana	618,308	85,746	93.7
Texas City	132,306	43,066	100.0
Three Rivers		10,343	97.8
Tom Bean	18,472	3,425	84.3
Trenton	7,557	3,727	86.9
Van Alstyne	22,387	7,069	74.7
Victoria	292,689	58,052	90.0
Waco	877,150	195,860	83.5
Waelder	45,276	5,528	78.1
Waxahachie	240,377	37,671	100.0
Wellington	42,830	14,684	87.2
Whitewright	28,730	6,382	98.8
Wichita Falls	1,289,842	202,998	87.6
Wolfe City	41,075	4,555	80.2
Wortham City	48,240	12,532	98.8

Analysis of Federal public housing program, annual contributions payments by States and local housing authorities—Continued

State local housing authority	Totals to June 30, 1961, dollar amount of Federal annual contributions	Year ending June 30, 1962	
		Dollar amount of Federal annual contributions	Percent Federal annual contributions divided by fixed annual contributions
Virginia:			
Alexandria	$954,845	$126,928	65.2
Bristol	863,789	106,623	97.0
Danville	609,417	150,883	70.8
Harrisonburg	54,027	47,987	78.7
Hopewell	308,875	31,323	58.2
Lynchburg	97,703	52,831	87.6
Newport News	1,255,911	188,732	54.6
Norfolk	9,387,580	1,555,430	97.7
Norton		40,590	98.4
Portsmouth	2,686,979	646,578	98.8
Richmond	4,743,655	976,635	84.8
Roanoke	2,216,128	259,394	92.8
South Norfolk	121,402	51,629	89.1
Washington:			
Asotin County	139,297	21,210	100.0
Bremerton	301,546	48,049	100.0
Clallam	143,319	14,783	80.0
Everett	807,173	88,129	91.4
Grant County	124,671	40,349	94.6
Grays Harbor County	301,207	44,645	98.5
Kalama	36,818	4,885	79.6
Kelso	127,508	18,538	84.9
Kennewick	297,909	35,904	83.8
King County	247,997	58,596	100.0
Renton	67,382	33,092	64.0
Seattle	1,844,431	197,836	100.0
Tacoma	856,908	211,801	100.0
West Virginia:			
Charleston	2,142,000	272,859	82.9
Huntington	999,412	76,350	100.0
Martinsburg	196,896	18,176	100.0
Mount Hope	212,995	14,398	96.7
Wheeling	708,718	93,409	99.2
Williamson	282,439	20,905	100.0
Wisconsin:			
La Crosse	101,393	30,282	63.0
Menomonie	251,452	29,283	96.8
Milwaukee	3,923,908	473,712	61.9
South Milwaukee	138,425	27,147	100.0
Superior	934,438	132,626	100.0
District of Columbia: Washington	10,908,167	3,164,546	97.7
Alaska: Alaska	1,537,810	217,701	100.0
Hawaii: Hawaii	3,697,778	520,209	67.7
Puerto Rico: Puerto Rico	25,115,002	5,313,387	89.3
Virgin Islands: Virgin Islands	1,604,036	489,872	79.4
Total annual contribution payments	890,317,038	156,977,943	88.3
Total fixed annual contributions	1,214,990,976		
Percent of actual to fixed annual contributions	73.3		

The annual subsidy, expressed as a percentage of the fixed annual contributions, has steadily increased over the years. The following table shows this trend for the last 7 years:

Year ending June 30—	*Percent of fixed annual contributions actually paid*
1956	75.7
1957	77.7
1958	81.4
1959	86.7
1960	88.9
1961	87.4
1962	88.3

The two major factors contributing to this increase have been an increase in the fixed anual contributions because of an increase in average capital cost and interest thereon, and a relative decrease in the net residual receipts available to reduce the annual contributions.

As to the relative weight of these two factors, we find that from 1956 to 1962 the fixed contribution increased $54.26 per unit, while the residual receipts decreased $33.29 per unit. Rents, which are related to the income of tenants, have not increased at the same rate as operating costs which have increased owing to the aging of projects and increasing costs of material and labor.

Because of unpredictable factors such as residual receipts available to reduce the fixed annual contributions, it is not possible to estimate with any degree of reliability the percentage of actual to the fixed annual contributions for over 2,000 contracts in future years. However, on the basis of past experience, it is estimated that the Federal annual contributions will in the future tend to approach, but will not reach, the maximum level of $336 million as presently authorized. This will provide approximately 700,000 units.

It is estimated that the Federal obligation to make annual contribution payments will be fully discharged by year 2006 for the last of the contracts where contributions have started. The first contracts will be retired in 1975. The total actual annual contributions will decline as contracts are retired. For projects not yet permanently financed, the year when all obligations will be scheduled for retirement cannot be determined prior to permanent financing.

(Whereupon, at 12:50 p.m., the committee recessed to reconvene at 2:45 p.m., of the same day.)

AFTERNOON SESSION—2:45 P.M., FRIDAY, AUGUST 10, 1962

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

STATEMENT OF JAMES E. WEBB, ADMINISTRATOR, ACCOMPANIED BY D. D. WYATT, DIRECTOR, OFFICE OF PROGRAMS; PAUL G. DEMBLING, DIRECTOR, OFFICE OF LEGISLATIVE AFFAIRS; ALBERT F. SIEPERT, DIRECTOR, OFFICE OF ADMINISTRATION; AND GEORGE M. LOW, DIRECTOR OF SPACECRAFT AND FLIGHT MISSIONS, OFFICE OF MANNED SPACE FLIGHT

LETTER AND JUSTIFICATIONS

Senator MAGNUSON. The committee will come to order. We have some other Senators coming down.

We have the National Aeronautics and Space Administration today, and the Administrator, Mr. Webb, is here, with several accompanying members of his staff.

We will put your letter in the record in full and the summary and the justifications.

(The information referred to follows:)

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION,
Washington, D.C., August 3, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of July 27, 1962, requested that I advise you of any changes deemed necessary, in the public interest, in the independent offices appropriation bill for 1963 (H.R. 12711). H.R. 12711 reduces the amounts provided for the conduct of NASA's programs by a total $100,000,250 below the level authorized by the Congress in H.R. 11737, now awaiting the President's signature.

The authorization bill H.R. 11737 as passed by the Congress in itself reduced the amounts authorized for the conduct of NASA's program by a total of $43,160,750 being the amounts originally requested. These reductions, however, were associated with the deletion of specific elements of the proposed program. The basis for the further House reductions of $80 million for research, development, and operation and $20,000,250 for construction of facilities, was not so delineated.

The appropriation reductions will jeopardize the capability of NASA to achieve the national goals in space contained within the authorized program, which goals are in consonance with the objectives announced by President Kennedy in his special message to the Congress on May 25, 1961, and discussed with your committee last year. Accordingly, NASA requests full restoration of the $100,000,250 House reduction. We understand that we will have the opportunity to present more detail in support of this request at a hearing before your committee on August 10, 1962.

A statement is attached of the specific changes recommended in H.R. 12711 as reported to the House.

Sincerely yours,

JAMES E. WEBB, *Administrator.*

RECOMMENDED CHANGE NO. 1

Page 35, line 13, strike out "$2,877,878,000" and insert in lieu thereof "$2,957,878,000."

Summary

The House reduced by $80 million the amount provided in the authorization bill for research, development, and operation without identification of specific items.

At the time of the House appropriation hearings on the NASA budget, studies were still underway on the delineation of many elements of the manned lunar landing program. Subsequent to the hearings, these studies were completed. Important programmatic decisions have now been announced and are being implemented based on these studies.

A mode of operation known as lunar orbit rendezvous has been selected for the accomplishment of the manned lunar mission. The selection of this mission mode will have several compensating effects on overall resource requirements in fiscal year 1963.

(*a*) The mission can be accomplished with a single SATURN C–5 launch vehicle. This will eliminate the need for development of the NOVA launch vehicle at the originally contemplated rate.

(*b*) It will be necessary to initiate development of a "lunar excursion" module in addition to the "command" and "service" modules previously contemplated as necessary components of the overall lunar spacecraft.

(*c*) The mode selection will place increased emphasis on early development and qualification of the SATURN C–1 and C–5 launch vehicles. Additional funding must be programed for these vehicles.

(*d*) A requirement is imposed for the use of a SATURN C–1B launch vehicle during the spacecraft developmental schedule. Although the C–1B will utilize vehicle stages already under development, funds must be programed for the peculiar engineering and component developments required for this new configuration.

(*e*) The potential target dates possible from the lunar orbiting rendezvous mode generate the need for earlier lunar surface reconnaissance data and require an increased emphasis in the RANGER and SURVEYOR programs.

(*f*) It has been determined that increased effort must be placed on overall systems engineering and on the creation of integrated test and checkout procedures and equipment in order to maximize probabilities of mission success with minimum development hardware expenditures.

Another example of unforeseen funding requirements resulting from changing program requirements, though of lesser magnitude, is the recent decision to establish a northeastern operations office. To manage more effectively NASA's grants and contracts in that area, the northeastern office will conduct technical and administrative liaison with contractors, research institutions, and other Government agencies. This decision, made subsequent to the House hearings on the appropriation act, will result in unanticipated expenditures which of necessity will have to be absorbed within the fiscal year 1963 appropriation.

Similarly, even in areas other than research and development, contingencies arise, as a result of changing program requirements, which necessitate expenditures for unexpected and unprogramed items. For example, when necessitated by developments in the space program, minor construction funds, as well as those funds for major facility construction which are available under NASA's statutory reprograming authority, will undoubtedly continue to be required, as in the past, to finance a variety of unprogramed projects, such as construction and improvement of county-owned roads and bridges, relocation and dredging of non-Government canals and waterways, etc.

The NASA program, including changes typified by the above examples which were not firmly identified at the time of the House hearings, will require the full amounts authorized by the Congress for successful and timely execution. Full restoration of the $80 million House reduction is therefore respectfully requested.

RECOMMENDED CHANGE NO. 2

Page 35, line 19, strike out "766,237,000" and insert in lieu thereof "$786,237,250."

Summary

The House action reduced by $20,000,250 the amount provided in the authorization bill for the construction of facilities without identification of specific items.

The President's budget for the construction of facilities totaled $818,998,000. This figure was reduced in the authorization act to $786,237,250, a reduction of $32,760,750. Subsequent to the time the House action on the authorization act was completed, and subsequent to House hearings on the appropriation act, the NASA presented to the Congress as a new item a request for additional funds in the amount of $32 million to acquire approximately 15,000 acres of land adjacent to and north of existing acreage currently under acquisition by NASA at Cape Canaveral, Fla. The additional acreage is necessary to permit proper siting of ADVANCED SATURN, NOVA, and TITAN III launch complexes; to provide an appropriate safety zone between the complexes and inhabited areas; and to allow for prudent future expansion.

Originally, there had been an agreement between NASA and the Defense Department, with the approval of the Bureau of the Budget, for the Defense Department to fund for the acquisition of this land. It was later agreed that NASA should provide the funds within the originally approved President's budget request. The timing of this decision was such that there was no opportunity to discuss the matter before the House Committee on Appropriations.

The House reduction of $20,000,250 should, therefore, be viewed in light of this new $32 million requirement. The authorization act allowance of $786,237,250 for the construction of facilities is already $32,760,750 below the President's budget and projects within that amount have been further reduced by $32 million to absorb the unanticipated new land acquisition requirement. Under these circumstances, it would be most difficult to absorb the additional cut of $20,000,250 proposed by the House action on the appropriation act.

The NASA respectfully requests restoration of the House reduction of $20,000,250 in the hope that, with Senate concurrence, the circumstances surrounding the added land acquisition requirement may be brought before the House in conference and the restoration favorably considered.

RECOMMENDED CHANGE NO. 3

Page 36, line 1, strike out "$17,500" and insert in lieu thereof "$35,000."

Summary

The House reduced $17,500 or 50 percent from the NASA request for funds to be available for scientific consultations and emergency or extraordinary expense.

The recommended change proposes full restoration of the amount requested. The fiscal year 1962 appropriation provided $17,500 for these purposes. The overall NASA program for fiscal year 1963 will be over twice the fiscal year 1962 level. Corresponding increases in conferences, meetings, and ceremonies, in visits to NASA installations throughout the world by foreign officials, and in official representation of NASA abroad by astronauts as well as other scientific and technical officials are anticipated. The benefits associated with these increased consultations needs will greatly outweigh the small proposed economy.

National Aeronautics and Space Administration, Fiscal Year 1963 Estimates

Appropriation summary

	Salaries and expenses	Research and development	Research, development, and operation	Construction of facilities	Total
Fiscal year 1961:					
Independent Offices Appropriation Act, 74 Stat. 436	($170,760,000)	($621,453,000)	$792,213,000	$122,787,000	$915,000,000
3d Supplemental Appropriation Act, 75 Stat. 25	----------	(49,000,000)	49,000,000	----------	49,000,000
Appropriation transfers, 74 Stat. 436	(−3,942,000)	(+1,502,000)	−2,440,000	+2,440,000	----------
Total	(166,818,000)	(671,955,000)	838,773,000	125,227,000	964,000,000
Fiscal year 1962:					
Independent Offices Appropriation Act, 75 Stat. 355	(206,750,000)	(1,220,000,000)	1,426,750,000	245,000,000	1,671,750,000
Supplemental Appropriation Act, 75 Stat. 742	(+10,000,000)	(−10,000,000)	----------	----------	----------
Appropriation transfers, 75 Stat. 355	----------	(−24,356,000)	−24,356,000	+24,356,000	----------
Anticipated:					
Supplemental appropriation	----------	(85,000,000)	85,000,000	71,000,000	156,000,000
Appropriation transfers	----------	(+22,261,000)	+22,261,000	−22,261,000	----------
Total	(216,750,000)	(1,292,905,000)	1,509,655,000	318,095,000	1,827,750,000
Fiscal year 1963: Regular estimates	----------	----------	2,968,278,000	818,998,000	3,787,276,000

Appropriation summary

	1961	1962	1962 supplemental	1963
Salaries and expenses	($170,760,000)	($206,750,000)	----------	----------
Research and development	(670,453,000)	(1,220,000,000)	($85,000,000)	----------
Research, development, and operation	841,213,000	1,426,750,000	85,000,000	$2,968,278,000
Construction of facilities	122,787,000	245,000,000	71,000,000	818,998,000
Total	964,000,000	1,671,750,000	156,000,000	3,787,276,000

Summary of research, development, and operation programs

Program	1961	1962	1962 supplemental	1963
MERCURY	$124,330,000	$68,278,000	----------	$13,259,000
Advanced manned space flight	6,266,000	147,241,500	----------	863,628,000
SATURN C-1	173,908,000	282,193,000	----------	249,237,000
ADVANCED SATURN	623,000	27,762,000	$50,000,000	335,172,000
NOVA	297,000	6,322,000	----------	163,574,000
Meteorological satellites	19,610,000	54,310,000	----------	51,185,000
Communications satellites	33,833,000	48,477,000	----------	85,377,000
Sounding rockets	12,330,000	14,261,000	----------	19,157,000
Scientific satellites	54,398,000	117,618,000	----------	175,165,000
Lunar and planetary exploration	91,019,000	169,964,000	----------	273,560,000
SCOUT	9,652,000	8,206,000	----------	8,947,000
DELTA	10,479,000	2,927,000	----------	268,000
CANTAUR	64,673,000	65,840,000	9,000,000	66,664,000
Spacecraft technology	27,126,000	37,145,000	----------	54,084,000
Launch vehicle technology	13,851,000	23,080,000	----------	31,690,000
Launch operations development	100,000	1,789,000	----------	21,486,000
Electric propulsion	7,164,000	17,581,000	----------	30,647,000
Liquid propulsion	72,726,000	103,901,000	26,000,000	163,102,000
Solid propulsion	1,899,000	4,297,000	----------	7,944,000
Space power technology	8,913,000	14,644,000	----------	20,172,000
Nuclear systems technology	25,950,000	50,234,500	----------	122,962,000
Aircraft and missile technology	37,857,000	41,479,000	----------	52,588,000
Tracking and data acquisition	44,330,000	94,844,000	----------	158,410,000
Total	840,434,000	1,402,394,000	85,000,000	2,968,278,000

Summary of construction programs

	Fiscal year 1961	Fiscal year 1962		Fiscal year 1963
		Appropriated	Requested supplemental	
Ames Research Center	$545,000	$6,115,000		$14,439,000
Atlantic Missile Range	27,321,000	[1] 72,225,000	$55,000,000	359,963,000
Facility planning and design		5,154,000		10,000,000
Flight research center				1,807,000
Goddard Space Flight Center	9,500,000	9,180,000		23,780,000
Jet Propulsion Laboratory	8,531,000	3,580,000		10,360,000
Langley Research Center	11,957,000	6,530,000		8,092,000
Lewis Research Center	9,590,000	1,040,000		43,833,000
Manned Spacecraft Center		[2] 60,000,000		30,755,000
Marshall Space Flight Center	26,208,000	25,716,000		33,437,000
Michoud plant		[2] 980,000		18,400,000
Mississippi test facility		[2] 10,090,000	16,000,000	92,500,000
Nuclear Rocket Development Station		[2] 15,000,000		40,000,000
Pacific Missile Range	492,000	995,000		
Various locations	28,235,000	44,786,000		127,332,000
Wallops Station	2,090,000	7,965,000		4,300,000
Total	124,469,000	269,356,000	71,000,000	818,998,000
Transferred from "Salaries and expenses"	−590,000			
Transferred from "Research and development"	−360,000	−24,356,000		
Transferred from Department of Defense	−1,070,005			
Reserve	338,005			
Total appropriation	122,787,000	245,000,000	71,000,000	818,998,000

[1] Includes $4,700,000 authorized under "Various locations."
[2] Included in authorization act under "Various locations."

Congressional budget submission—Construction of facilities, 1963 programs

Page No.	Location and project	Project estimate	Location total
CF 1	Ames Research Center		$14,439,000
CF 1-A1	Location summary		
CF 1-A2	Location plan		
CF 1-A3	Bioscience laboratory	$924,000	
CF 1-B1	Mach number 50 helium tunnel	1,500,000	
CF 1-C1	Radiative heat system for mass transfer facility	2,225,000	
CF 1-D1	Space flight guidance research facility	9,790,000	
CF 2	Atlantic Missile Range		359,963,000
CF 2-A1	Location summary		
CF 2-A2	Location plan		
	Existing area:		
CF 2-A3	Modifications to SATURN launch complex No. 34	3,765,000	
CF 2-B1	Modifications to SATURN launch complex No. 37	1,150,000	
CF 2-C1	Modifications to provide a launch complex for sold suborbital vehicles.	1,717,000	
CF 2-D1	Supporting facilities	3,000,000	
CF 2-E1	Addition to assembly facility for unmanned spacecraft.	2,000,000	
CF 2-F1	Explosive safe assembly facilities for unmanned spacecraft.	450,000	
CF 2-G1	Apollo mission support facilities	22,510,000	
CF 2-H1	Modifications to TITAN II launch complex	2,400,000	
CF 2-I1	Utility installations	800,000	
	New Area:		
CF 2-J1	ADVANCED SATURN launch complex No. 39	[1] 176,550,000	
CF 2-K1	ADVANCED SATURN-NOVA supporting facilities.	39,121,000	
CF 2-L1	APOLLO static test facility	5,000,000	
CF 2-M1	NOVA launch complex	[1] 79,500,000	
CF 2-N1	Utility installations	[1] 22,000,000	
CF 3-1	Facility planning and design	10,000,000	10,000,000
CF 4	Flight Research Center		1,807,000
CF 4-A1	Location summary		
CF 4-A2	Location plan		
CF 4-A3	Building additions	1,332,000	
CF 4-B1	Visual flight simulator	475,000	
CF 5	Goddard Space Flight Center		23,780,000
CF 5-A1	Location summary		
CF 5-A2	Location plan		
CF 5-A3	Applied sciences laboratory	3,175,000	
CF 5-B1	Attitude control test facility	915,000	
CF 5-C1	Conversion of dynamic test chamber	3,250,000	
CF 5-D1	Development operations building	1,850,000	
CF 5-E1	Launch phase simulator	3,915,000	
CF 5-F1	Spacecraft operations facility	7,500,000	
CF 5-G1	Tracking and telemetry laboratory	3,175,000	
CF 6	Jet Propulsion Laboratory		10,360,000
CF 6-A1	Location summary		
CF 6-A2	Location plan		
CF 6-A3	Addition to fabrication services building	605,000	
CF 6-B1	Data operations and command facility	2,420,000	
CF 6-C1	Engineering mechanics building	3,045,000	
CF 6-D1	Additions to materials research laboratories	610,000	
CF 6-E1	Telecommunications laboratory	2,860,000	
CF 6-F1	Utility installations	820,000	
CF 7	Langley Research Center		8,092,000
CF 7-A1	Location summary		
CF 7-A2	Location plan		
CF 7-A3	Addition to heating plant	858,000	
CF 7-B1	Additional equipment for magnetoplasmadynamics research.	1,450,000	
CF 7-C1	Additional power supply and improved arc chamber for 10-megawatt arc tunnel.	760,000	
CF 7-D1	Environmental research facilities for spacecraft components and materials.	997,000	
CF 7-E1	Particle accelerator for simulation of micrometeoroid impact.	936,000	
CF 7-F1	Stabilization and control equipment laboratory	1,366,000	
CF 7-G1	Vehicle antenna test facility	1,725,000	
CF 8	Lewis Research Center		43,833,000
CF 8-A1	Location summary		
CF 8-A2	Location plan		
CF 8-A3	Development engineering building	4,650,000	
CF 8-B1	Hydrogen heat transfer facility	2,400,000	
CF 8-C1	Lunar propulsion research facility	6,275,000	
CF 8-D1	Modernization and reconditioning of Plum Brook service facilities.	1,508,000	
CF 8-E1	Nuclear rocket dynamics and control facility	3,500,000	
CF 8-F1	Space propulsion facility	25,500,000	

Congressional budget submission—Construction of facilities, 1963 programs—Con.

Page No.	Location and project	Project estimate	Location total
CF 9	Manned Spacecraft Center		$30,755,000
CF 9-A1	Location summary		
CF 9-A2	Location plan		
CF 9-A3	Flight acceleration facility	$10,630,000	
CF 9-B1	Thermochemical test facilities	6,000,000	
CF 9-C1	Lunar landing simulation facility	6,500,000	
CF 9-D1	Site development and utility installations	7,625,000	
CF 10	Marshall Space Flight Center		33,437,000
CF 10-A1	Location summary		
CF 10-A2	Location plan		
CF 10-A3	Addition to computation division building	1,255,000	
CF 10-B1	Components test facility	[1] 4,000,000	
CF 10-C1	Components and subassembly acceptance building	950,000	
CF 10-D1	Engineering and administration building	2,500,000	
CF 10-E1	Expansion of instrumentation systems in west area	4,000,000	
CF 10-F1	F-1 engine test stand	[1] 4,500,000	
CF 10-G1	Hydraulic test facility	340,000	
CF 10-H1	Low temperature facility	575,000	
CF 10-I1	Modification of west side of static test stand	[1] 2,000,000	
CF 10-J1	Engineering building	1,000,000	
CF 10-K1	Instrument laboratory	2,000,000	
CF 10-L1	Support facilities in west area	7,800,000	
CF 10-M1	Utility installations	2,517,000	
CF 11	Michoud plant		18,400,000
CF 11-A1	Location Summary		
CF 11-A2	Location plan		
CF 11-A3	Modifications to Michoud plant	11,400,000	
CF 11-B1	High pressure test facility	1,000,000	
CF 11-C1	Hydrostatic test and cleaning facility	3,000,000	
CF 11-D1	Vertical assembly building	3,000,000	
CF 12	Mississippi test facility		92,500,000
CF 12-A1	Location summary		
CF 12-A2	Location plan		
CF 12-A3	ADVANCED SATURN stage test facilities	[1] 36,000,000	
CF 12-B1	NOVA stage facilities	[1] 43,000,000	
CF 12-C1	Utility installations and support facilities	13,500,000	
CF 13	Nuclear Rocket Development Station		40,000,000
CF 12-A1	Location summary		
CF 13-A2	Location plan		
CF 13-A3	State static test and maintenance facilities	20,205,000	
CF 13-B1	State demating, maintenance, and disassembly facilities	8,660,000	
CF 13-C1	Radiation effects facility	7,125,000	
CF 13-D1	Components test facilities	1,885,000	
CF 13-E1	Support facilities	2,125,000	
CF 14	Various locations		127,332,000
CF 14-A1	Location summary		
CF 14-A2	Advanced antenna system, Goldstone Station	14,250,000	
CF 14-B1	ADVANCED SATURN dynamic test facility	2,100,000	
CF 14-CD1	Antenna facility, Johannesburg Station	5,000,000	
CF 14-CD1	Antenna facility, Woomera Station	5,000,000	
CF 14-E1	Data acquisition facility, Far East Station	6,000,000	
CF 14-F1	Data acquisition facility, Rosman Station	3,500,000	
CF 14-G1	Facilities for F-1 engine program	[1] 25,000,000	
CF 14-H1	Facilities for J-2 engine program	[1] 4,000,000	
CF 14N-I1	Facilities for M-1 engine program	[1] 16,000,000	
CF 14-J1	Manned space flight control centers	[1] 18,000,000	
CF 14-K1	Space radiation effects laboratory	12,382,000	
CF 14-L1	NOVA stage manufacturing facilities	[1] 16,100,000	
CF 15	Wallops Station		4,300,000
CF 15-A1	Location summary		
CF 15-A2	Location plan		
CF 15-A3	Advanced data acquisition system	1,500,000	
CF 15-B1	Modification and expansion of range control, safety, and support systems and equipment.	2,000,000	
CF 15-C1	Vehicle checkout facilities and equipment	800,000	
	Total, 1963 program		818,998,000

[1] Incrementally funded project.

HOUSE ACTION

Senator MAGNUSON. You have a short statement here which I am sure the committee would be glad to hear, but before you proceed with that, I am reading from page 15 of the House report:

> The committee considered budget estimates totaling $3,787,276,000 for the space program and the House recommends appropriations totaling $3,644,115,000. This is a reduction of $143,161,000 in the budget estimates.

That is broken down into research and development and operation and construction of facilities.

In the first case the House recommended $90 million less than the budget estimate in research, development, and operation. In construction of facilities the House recommended $52,761,000 less than the budget estimate.

So, Mr. Webb, will you proceed with your statement here, if you wish?

RESTORATION REQUEST

Mr. WEBB. Thank you, Mr. Chairman.

Senator SALTONSTALL. Mr. Chairman, might I ask a question of Mr. Webb?

Senator MAGNUSON. Certainly.

Senator SALTONSTALL. This restoration request, is that the result of events that have happened since the House heard the evidence and voted?

Mr. WEBB. No, sir.

Senator SALTONSTALL. I think it would help us, or help me anyway, to know that this is something new since the House acted, or are you asking us to put back something that the House declined to give you.

Mr. WEBB. It is not new, Senator. We are asking you to restore the amount that the House reduced the appropriation.

Senator SALTONSTALL. The House had all of the evidence which you are going to give us?

LAND ACQUISITION AT CAPE CANAVERAL

Mr. WEBB. There is one exception. Mr. McNamara and I have been looking very carefully at our launching requirements at Cape Canaveral. There is some vacant land north of the present land. The Department of Defense is prepared to go forward with the Titan III rocket, which is a very important part of their defense program, as I am sure you know from your work with the military services. We felt it was very wise to get this additional 14,400 acres of land. So my request includes $32 million for NASA to get this and we will turn over to the Defense Department enough land to the south to handle the Titan III program. We need the additional land, that is, the land north of our present acquisitions, to compensate for the land which we are turning over to the Department of Defense.

Senator SALTONSTALL. And this is new since the House voted?

Mr. WEBB. Yes. This is new.

Senator MAGNUSON. How much does that involve?

Mr. WEBB. $32 million.

Senator SALTONSTALL. So research and development and operations are all what the House decided not to give you?

REDUCTION IN AUTHORIZATION BILL

Mr WEBB. That is correct. Can I say that the reduction in the authorizing bill of $43 million was quite detailed. The authorizing committee went over all that and decided it should be reduced, and the sum total of those is $43 million. In the case of the House Appropriations Committee they did not specify any program that was to be reduced, but simply said—

We believe you can cut an additional $100 million out of this program with careful management.

We have been committed in this program, as I told the committee last year, to operate as efficiently and effectively as we possibly can, but when we get a percentage reduction of this kind, and when we are operating very close to the line and we are already committed to you not to spend money that we do not absolutely have to in this program, this simply restricts us when our estimates show we will need that $100 million. If specific items are to be cut out, this is quite a different matter.

So this is the basis of the request for the restoration.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Senator MAGNUSON. You may proceed with your statement and we will go into the items.

Mr. WEBB. Mr. Chairman and members, it is an honor to appear here today to present President Kennedy's recommendation for funds for the program of the National Aeronautics and Space Administration for the fiscal year 1963.

I would like to make a brief general statement. First I want to say I regret very much that Dr. Hugh L. Dryden, Deputy Administrator, is not here today. He is in Iowa at the Summary Conference on our Space Science Summer Study, where he and I worked together yesterday, and where it was felt since we have had 250 scientists working on the future program for the last 2 months, he should be there to finish hearing their report. This was a long-standing commitment.

DEVELOPMENT OF RENDEZVOUS TECHNIQUE

With respect to the program areas, in manned space flight we have an ongoing program that will not only finish the Project MERCURY three-orbit mission, but will expand the program to what we call the 1-day mission with the MERCURY capsules. We will then proceed rapidly to a two-man spacecraft called GEMINI, which will fly on a TITAN rocket, and with which we will conduct our initial flight work to develop the rendezvous technique. We will then proceed to the APOLLO three-man spacecraft which will fly on an ADVANCED SATURN.

I mention this progression because very large sums are involved in the building of an advanced spacecraft such as the APOLLO and the advanced launch vehicles such as the ADVANCED SATURN. Therefore, as a matter of prudent management and also as a matter of having continuous and more valuable space flights in near-earth orbits, we are beginning the GEMINI program which will permit two men to fly together, and will allow them to rendezvous with an AGENA stage in orbit. In addition, GEMINI will permit one man to fly with an instrumented chimpanzee or other animal and to fly

with a bio-pack in which the experiments can be monitored in flight. This will make them more useful than they would otherwise be.

However, even more important, perhaps, than this, or certainly of equal importance, is that, as we execute the very large contracts to build the APOLLO spacecraft and the very large rockets, we will be proving out with the GEMINI project the rendezvous technique.

MANNED LUNAR LANDING MISSION

For the past year we have been conducting extensive studies to determine the method that will be employed to accomplish the manned lunar landing mission. These studies were recently completed and we have now selected the lunar orbit rendezvous technique. This technique, by reducing the landed weight of the spacecraft on the Moon, will permit us to accomplish the mission from a single launching of a SATURN C–5 vehicle. This will reduce the need for developing the extremely large NOVA vehicle and will, we believe, give us the least expensive means of accomplishing this undertaking. It also offers the potential of saving 1 year's time as compared with other techniques which NASA studied.

Although the lunar orbit rendezvous technique will reduce our ultimate time and costs, the selection of this method does not reduce our funding requirements for fiscal year 1963. We have already initiated the developments of the SATURN C–1 which has been successfully tested twice, and the larger SATURN C–5, which will permit us to conduct the manned lunar landing mission. We have also started the development of the command and service module elements of the spacecraft required for the mission. As a consequence of our decision, we must immediately initiate the development of the smaller two-man spacecraft which will descend from lunar orbit and land on the moon's surface. We must also engineer an intermediate version of SATURN known as C–I–b that will be needed to develop the lunar orbit rendezvous procedures in a safer orbit around the earth. This C–I–b vehicle will utilize the stages already being developed for the C–1 and the C–5 vehicles.

Mr. George Low, Director of Spacecraft and Flight Missions, Office of Manned Space Flight, is here this morning and can give you a brief illustrated description of the lunar orbit rendezvous technique, if you wish.

These are tremendous undertakings. Nothing like them has ever been attempted by the engineering profession.

We are starting out on a program which I believe will accomplish these purposes, utilizing the most advanced technology that any nation has developed. The advance in the program supported by your committee last year has brought us to the point where we can project with confidence the success of this program.

The foundation for this program lies in advanced research and technology, in the study of the space sciences, and in the worldwide tracking and data-acquisition network. I wish to touch on these briefly.

The advanced research and technology program is endeavoring to provide the tools for the immediate research and technological problems we must solve, to visualize and develop the concepts that will be required for the future, and to be as farsighted in aeronautics and space as we were in 1929 when we built the first full-scale wind tunnel.

We have been fortunate in obtaining Dr. Raymond L. Bisplinghoff to be Director of this Office. Until he came to NASA on August 1, he was for many years professor of aeronautical engineering at the Massachusetts Institute of Technology.

INSTRUMENTED EXAMINATION OF SPACE

The space sciences program includes instrumented examination of the space around the earth and observation of the sun's activity, which are very important in the earth-sun relationships. It includes instrumented landings on the moon with such very advanced projects as the Ranger and the Surveyor, including a lunar orbiter, which will be used for mapping the surface of the moon. It also includes our interplanetary flights to learn more about the nearby planets. In addition to its basic scientific importance, this program fills the need for the scientific knowledge for the design of the manned lunar spacecraft. The time schedule now feasible with the lunar orbit rendezvous technique will increase the need for early information about space and lunar surface conditions.

FORCES BRINGING ENERGY OF SUN TOWARD EARTH'S SURFACE

We are finding out something we never knew before, incidentally; namely, that the energy of the sun impinging on the high reaches of the atmosphere produces forces that bring it down toward the surface of the earth. We normally thought of it being quite different than this, so that is of great value with respect to meteorology.

WORLDWIDE TRACKING STATIONS

Every space flight mission, whether rocket development, scientific satelilte, space probe, or manned spacecraft, is undertaken to gather information. The critical element in getting such information back to the managers of the missions is the worldwide network of tracking and data-acquisition stations. Our work in this area is important also in our relations with other nations because many of these tracking stations are manned by the nationals of other countries. In some cases the operation of foreign stations is paid for by other nations. These stations located around the world make a very great contribution to our civilian space program.

It is the strong desire of the President, and I believe it was the strong expressed desire of this committee last year, that we endeavor to move forward rapidly to utilize space science and technology for the benefit of all mankind and particularly where it had specific, important, immediate application such as in the field of weather and in the field of communications.

IMPROVED WEATHER PREDICTION PROCEDURES

The primary objective of the meteorological satellite systems program is to establish and to improve a meteorological satellite capability for worldwide coverage, to provide the meteorologist with observations of atmospheric elements and storm systems. Information obtained by meteorological satellites will improve weather prediction

procedures and will increase our understanding of atmospheric processes.

WORLDWIDE COMMUNICATIONS

Another application of the use of space which has great potential is in the field of worldwide communications. The objective of our communications satellite systems program is the pursuit of research and development to give maximum assurance of rapid and continuous scientific and technological progress toward operational global communications satellite systems.

I can report to you that we are making rapid progress in these fields.

HOUSE REDUCTION

As you know, the House of Representatives passed H.R. 12711, the independent offices appropriation bill for 1963. This bill which is before you reduces the amounts provided for the conduct of the programs of the National Aeronautics and Space Administration by a total of $100,000,250 below the level authorized by the Congress in H.R. 11737, the National Aeronautics and Space Administration authorization bill for 1963.

Senator MAGNUSON. This is the last bill we just passed?

Mr. WEBB. That is right.

Senator MAGNUSON. Why do you say 1963? Why would it not be 1962?

Mr. WEBB. It is the bill for 1963, which begins in July of 1962.

Senator MAGNUSON. Yes. I wanted to clear it up.

Mr. WEBB. Yes, sir.

This authorization bill in itself reduced the amounts for the conduct of NASA's program by a total of $43,160,750 below the amounts originally requested. These reductions, however, were associated with the deletion of specific elements of the proposed program. The basis for the future reductions in the appropriations bill of $80 million for research, development, and operation and $20,000,250 for construction of facilities was not so delineated.

EFFECT OF HOUSE REDUCTIONS

The appropriation reductions will curtail the capability of the National Aeronautics and Space Administration to achieve the national goals in space contained within the authorized program. Accordingly, NASA requests full restoration of the $100,000,250 reduced in appropriation for NASA by the House of Representatives, and respectfully requests that your committee approve $3,744,115,250 for the National Aeronautics and Space Administration for fiscal year 1963.

That is the end of my statement. I had thought, since the largest part of these funds goes to the manned space flight program and the lunar orbit rendezvous technique, the one we adopted, you might like to have Mr. Low speak to you now. He has a couple of slides and in a few brief minutes he could give you a complete picture of what it was decided to do.

RESEARCH AND DEVELOPMENT

Senator MAGNUSON. So we can get it in perspective, in the No. 1 change it involves $80 million for research and development.

Mr. WEBB. Yes, sir.

Senator MAGNUSON. What is the total now of research and development in the bill?

Mr. WYATT. It is now $2,877,878,000.

Senator MAGNUSON. Is the bulk of that work in that for this lunar orbit rendezvous program?

Mr. WYATT. The bulk of the work is for the whole manned effort, of which the lunar orbit is a part.

Senator MAGNUSON. It is generally speaking for the lunar project?

Mr. WYATT. Aiming toward that.

Mr. WEBB. It is aiming at the things you have to do. Senator, we have to get a lot of experience in flying with men and building these big rockets.

Senator MAGNUSON. I understand that.

Mr. WEBB. Yes.

Senator MAGNUSON. But we are discussing the end objective of the project. Let's put it that way.

Mr. WEBB. All right, sir.

Senator MAGNUSON. Because all of the other things we do have a relationship to other things that we are doing in the field of space and aeronautics, and we learn from one and from one to the other, and vice versa. But again, this is going toward our main objective.

Mr. WEBB. But I do want to get one thing clear, because I am sure you and the members of this committee understand it, but it gets talked about in a loose way.

If we do not ever complete the program of landing on the moon for the reasons that maybe man cannot stand this long time in space and return, we planned the program so that each step gives us valuable experience which will be useful to us in developing military capacity and other things.

Senator MAGNUSON. Other things—that is right.

Mr. WEBB. The point I wanted to make is that this money is going into something that has value even before you get to the lunar part.

Senator MAGNUSON. All right. Mr. Low, do you want to tell us about this project in general now?

Mr. LOW. Yes, sir.

Senator MAGNUSON. You can use your slides, if you wish.

Mr. LOW. I have three or four slides. Could you turn on the first one, please? It might be better if I got up with the slide.

Senator MAGNUSON. Yes. Go right up.

APPROACHES FOR LUNAR LANDING

Mr. LOW. As you know, we considered, until about a month ago, three different approaches for the lunar landing; a direct approach and also an earth orbit and lunar rendezvous approach.

DIRECT APPROACH

In the direct approach we would use a very large launch vehicle, which we have called the NOVA from the surface of the earth to

launch a large spacecroft toward the moon. The spacecraft would then land on the moon with its own propulsion system, and later would take off from the moon and return and land back on the earth. The same spacecraft, in other words, would land on the moon and then return and land on the earth.

The direct approach would have required a launch vehicle that developed 12 million or more pounds of thrust on takeoff—very much larger than what we have today.

EARTH ORBIT RENDEZVOUS APPROACH

Another approach we examined was the earth orbit rendezvous approach in order to minimize the required size of the launch vehicle. We would have used the ADVANCED SATURN, which develops 7½ million pounds of thrust. Two of them would have been launched from the earth and the second one, that carries another propulsion stage, would have rendezvoused in space orbit and propelled the spacecraft toward the moon. The rest of the mission would have been the same. We would have been faced with the problem of landing the large, heavy spacecraft on the surface of the moon, and later on returning it to earth.

LUNAR ORBIT RENDEZVOUS APPROACH

Finally, we studied the third method. All of these were studied concurrently. This third method is called the lunar orbit rendezvous.

In this approach only a single launch vehicle is launched from the surface of the earth, but this time the spacecraft includes a small vehicle as well as the large earth-entry module. It would place the APOLLO spacecraft in an orbit around the moon, and from this the smaller vehicle module, the lunar excursion module, would take two men to the surface of the moon to explore it and return in the smaller spacecraft back to the lunar orbit. The lunar orbiting, smaller, two-man spacecraft would rendezvous with the APOLLO spacecraft, or the mother spaceship, and the big three-man spacecraft would return and bring all three men back to the surface of the earth.

We found several advantages in this latter method. Perhaps the most important is that only the smaller space vehicle would go to the surface of the moon, and we will thus need less propulsion to escape the earth and would not need to develop the very large NOVA vehicle immediately. The ADVANCED SATURN would do this job.

Another important advantage is that a different spacecraft would be used for landing on the Moon than would be used for landing on Earth.

Our two most difficult problems in the lunar landing mission are the lunar landing itself, as one problem; and, secondly, the reentry into the earth's atmosphere at a speed 1½ times satellite speed. By using the lunar orbit technique we can design and build one spacecraft for the lunar landing and a second one which can be specially designed for the earth landing.

The next slide, gentlemen, shows the launch vehicle and spacecraft to be used for the lunar orbit rendezvous technique. The launch vehicle is the ADVANCED SATURN, which has 7½ million pounds of advance thrust in the first stage, and hydrogen and oxygen propulsion in the second and third stages.

The spacecraft is shown enlarged here. This is the APOLLO spacecraft with the Command module in which the three men will be. Here is the lunar excursion module which will be used for the actual lunar landing.

On the next slide I have shown the total lunar orbit rendezvous technique in somewhat more detail. We start with the launch from the Earth. The spacecraft might orbit the Earth once, which is not shown on the chart, and would go into the trajectory toward the Moon, starting out about 25,000 miles an hour. It leaves the Earth and slows down as it approaches the Moon and reaches the Moon about 2½ days after leaving the Earth. The APOLLO spacecraft would go into the orbit around the Moon and then two of the men would get into the smaller vehicle and descend to the Moon surface in this path. After 1 or 2 days on the Moon's surface the smaller vehicle would be launched again and rendezvous here with the mother ship and come back to Earth along this path.

The trip from the moon back to the earth will take about 2½ days also.

ACTIVITY IN VICINITY OF THE MOON

In the last slide we show in more detail the activity in the vicinity of the moon. Here we see the Apollo spacecraft approaching the moon and going into an orbit above the moon, about 100 miles above its surface, at about the same attitude at which John Glenn was in his orbit of the earth. Once the orbit is established, then two men would leave the mother ship and get into the lunar excursion module which, with its own propulsion system, would land on the moon's surface gently. The same propulsion system again would be used for a takeoff from the moon along about a path like this. It would be timed so precisely and the guidance would be so accurate that the two craft would come together in an orbit around the moon in close proximity to each other. The pilot could guide these two ships toward each other and the men would transfer back to the command module, the mother ship, and using the propulsion unit would again travel toward earth, and the command module would reenter the earth's atmosphere for the landing.

This completes the discussion of the lunar orbit. I will be glad to answer any questions.

Senator ELLENDER. I want to know at what rate the transfer is going to be made—at what speed?

Senator MAGNUSON. Could I ask this general question first: Generally speaking, after studies you have decided now to abandon the first two?

Mr. WEBB. No, sir. We are not abandoning them, but continuing very careful studies of them. We have selected this one you just saw as the preferred method.

Senator MAGNUSON. The preferred method?

NOVA PROJECT SET BACK

Mr. WEBB. And we have set back the time scale for the NOVA, the giant rocket which we call NOVA. We set it back 2 years. We will continue our studies of it and will study the evidence to see if we could use solid rocket motors or other techniques to make a better NOVA.

So we have gained time to do a much better NOVA, if we have to build it.

Senator MAGNUSON. But you will not proceed with the NOVA which would be needed for the first one?

Mr. WEBB. That is correct. The direct approach. That is right.

Senator MAGNUSON. And that would include the savings suggested in here because you are putting that over here until you can proceed with the so-called third method?

Mr. WEBB. That is right.

Senator ELLENDER. I wanted to ask a question.

SPEED OF VEHICLES IN RENDEZVOUS NEAR MOON

Have you figured out how fast these two space vehicles would be traveling when the transfer from one to the other would be made?

Mr. LOW. They would be moving at the speed of a satellite around the moon, which is about 5,000 miles an hour, but relative to each other they would be standing still. They would both be moving at exactly the same speed.

Senator ELLENDER. And they would just be side to side one to the other?

DOCKING PHASE

Mr. LOW. No. Actually the two of them would be attached to each other. The nose of one would be attached to the nose of the other.

Senator ELLENDER. When would that de done?

Mr. LOW. Just as the two came together in the orbit of the moon. It is the so-called docking phase.

Senator MAGNUSON. In other words, they come together and the two fellows get into the one and let the other go. Is that right?

Mr. WEBB. Yes.

Senator ELLENDER. There must be some kind of attraction there.

PROPULSION SYSTEMS

Mr. WEBB. You have propulsion. You have a little engine on the smaller one which is throttleable, just like an automobile engine, so you can speed up or slow down. In case that fails we have a propulsion unit on the bigger one so that the man remaining in there can go after the smaller one. We hope that won't happen, and that the little one will be under control and come up and attach itself to the bigger one, but if for one reason or another that fails, we do not want to lose the men. So we have a propulsion system in the big one too. He can go ahead and find the men and attach himself to it.

Senator ELLENDER. Then one man continues around while the other two land?

Mr. WEBB. That is right.

Senator ELLENDER. There is a certain space of time in which this is to occur, that is, the meeting of the two.

Mr. LOW. That is right. The launching from the surface of the moon has to be in 1 or 2 minutes of the proper time, so that they will come together at the right time.

Senator MAGNUSON. Have you ever seen these pictures of two parachutists getting together and finally they make it? That's about the way it is.

Mr. WEBB. Maybe we could have a lunch for the committee some day in which we could take about an hour to go over it. We have some excellent models and other things, and we would be very happy if you would take the time of the committee to discuss all of this with us.

Senator MAGNUSON. That is the way they rendezvous?

Mr. WYATT. Yes, sir That is what it looks like.

Senator ELLENDER. There was one more question I wanted to ask. After these two meet, will it be necessary for any of the occupants to do anything to recall the ship back to Earth?

ROCKET ENGINE

Mr. LOW. Yes, they will. They will have to start the rocket engine.

Senator ELLENDER. Which is attached to what?

Mr. LOW. Attached to the big unit.

Senator ELLENDER. Will that be as fast as when it started from the earth?

Mr. LOW. No, it will not have to go as fast to leave the Moon as to leave the Earth.

Senator ELLENDER. But it will come back in almost the same time?

Mr. LOW. Yes, because of the Earth's gravity helping to bring it back.

Senator SALTONSTALL. I agree with Senator Ellender that this is a very interesting thing with a lot of imagination and theory, and I hope, of course, good results. Our job is to decide on how much money to give you.

Mr. WEBB. Yes.

HOUSE COMMENT

Senator SALTONSTALL. The House report says,

> The bill includes $2,877,878,000 for this item, research, development, and operation, which finances all expenses of the space program except facilities construction. The amount recommended is $90,400,000 less than the budget estimate. The committee has not deleted any program which has legislative authorization, but the present estimates of cost can be reduced.

My question is, how have you come to these estimates, and how can you tell us, or what can you tell us to show that in these tremendous estimates you will need $90,400,000 more. It seems to me that is the primary question before us.

Mr. WEBB. Yes, I think it is.

BUDGET PROCEDURE

Senator SALTONSTALL. How did you get your budget? How did you go about it?

Mr. WEBB. First of all, all of these units involved in this program are now under development except for the lunar excursion module—the two-man spacecraft that will land on the moon. We have put out requests for proposals which will be coming in to us, and we will make the award of that module probably in the next 90 days. Our selection of the contractors at that time will take into account their cost estimates as well as our own cost estimates, because this work can never be estimated completely accurately.

Senator SALTONSTALL. No.

CORPORATION ORGANIZED BY A.T. & T.

Mr. WEBB. We examined all the tasks that have to be done, and considered them by running these steps through the same type of PERT system used on the POLARIS. We are trying to move as rapidly as the state of the art will permit us. We have a separate corporation, which was organized by the A.T. & T., in which 200 of their ablest men will be assembled to make a continuous examination of the state of the art and of the programs we have, and of the concepts which tie the two together.

So we have these additional means of operating the program and making estimates as to both the time and the money required. I would not be one to tell you certainly that you could guess the cost of these programs to within 1 or 2 percent. You simply cannot do it, but we do know we are trying to progress rapidly, and one of the main purposes is just that. I do know that we have a system where our contracts and our operating programs are not out from under control. We are following them very, very closely all the time.

I am as certain as I am that we are sitting here, some of the things we now have in our schedule we will never do because we will find there is a better way to do them, or that they cannot be done, and we have to go another way. But the authorization does represent a sechedule of the things to be done from which certain specific items, like studies and actual work on some of the NOVA system, have been eliminated and having made those eliminations we have made the best estimate we can. To cut this $100 million simply means we are going to be, I am sure, short of funds during this year.

CONTRACTS OUTSTANDING

Senator SALTONSTALL. What you say is you have four contracts outstanding. Didn't you tell me that?

Mr. WEBB. We have many outstanding, but there are four contracts for major vehicle stages. The ADVANCED SATURN is made up of the first stage, which is being built by the Boeing Co., and the second stage is being built by North American. The third stage is being built by the Douglas Co., and the APOLLO spacecraft is being built by North American.

We have proposals out for the lunar excursion orbit craft. SATURN is only one of our big rockets. There are many contracts relating to the rockets that launch the communications and meteorological satellites and Gemini. We have to have the TITAN for example.

BASIS OF COST ESTIMATES

Senator SALTONSTALL. But the contracts you have, and the expenses that are not under contract, you base your estimates as far as you can on what these firms give you as possibilities, and also in the experience of other departments of the Government, such as the cost of developing the POLARIS, and that sort of thing.

Mr. WEBB. Yes.

Senator SALTONSTALL. I can see and I can agree with you that you cannot estimate it. I think you would be very lucky if you can estimate it within 10 percent of the cost. But what I think is of interest.

to this whole committee, I believe, and I know that is the basis on which you raise these tremendous estimates because that is the only thing we can go on, is these experiences. Can you show those are reliable?

Mr. WEBB. They are as reliable as the best facilities of this Government know how to make them. We do take the contractors' estimates, but also make our own, and we regard our own as more reliable than theirs. We negotiate their contracts on the basis of an independently arrived at estimate ourselves. So I am not just accepting their estimates here, because if I did that these costs would be greater by a good margin.

Senator SALTONSTALL. Thank you, Mr. Chairman.

While you were away what I was trying to find out was what they based these tremendous estimates on.

Senator YOUNG. Can I ask a question here?

Senator MAGNUSON. Go ahead.

EFFECT OF BEING LIMITED TO HOUSE ALLOWANCE

Senator YOUNG. What happens if the Senate should happen to go along with the House figure? Could you not then come back with a supplemental appropriation, if necessary, or would that procedure slow up your program?

Mr. WEBB. What we have done actually, Senator, is create a program which is fairly flexible. A year ago we thought we would either have to go to direct routing of a NOVA as fast as possible, or we would rendezvous in orbit around the earth with two of these ADVANCED SATURNS, which are very large rockets—maybe two-thirds as large as the Washington Monument. In the intervening year it turned out we can build one of the SATURN rockets and build the two other spacecraft and do a much safer and better job because we do not have to take all of the heavy weight of the heat shield and so on down to the surface of the moon and get it off again. This has all taken place in 1 year.

The ability to make these kinds of changes in the planning of this gram is very important. With a limitation of tools we have a very difficult time operating in this kind of flexible manner to get the most for the money you appropriate.

Senator YOUNG. You do not use contract authority at all?

Mr. WEBB. No, sir. We do not have that in our program.

Senator YOUNG. That is all. Thank you.

Senator MAGNUSON. Senator Allott.

TOTAL EMPLOYEES

Senator ALLOTT. I have two or three questions.

As of June 30, 1963, you will have 26,300 employees in NASA as compared to 22,000 this past June 30 and 17,000 in June 1960. This accounted for $220 million of your budget—$220,311,000. This means, then, that of the $3.7 billion all of the rest of your budget is in personnel services contracted out by way of research contracts, or is hardware.

REIMBURSEMENTS TO OTHER AGENCIES

Mr. WEBB. Or are reimbursed to the Department of Defense for the services they perform for us. In other words, we contract with industry but also reimburse out-of-pocket expenses for the Navy, for instance, in our recovery operations.

Senator ALLOTT. Are there any other reimbursements given to the Defense Department other than these recovery operations?

Mr. WEBB. Yes, sir. Wherever they have facilities which will serve our program, we use them and reimburse them under agreements with them. In other words, we do not duplicate what they have in being.

Senator ALLOTT. What are these different things?

Mr. WEBB. Well, there are a very large number of them. For instance, they buy the ATLAS missile for us under their program. They supervise the construction of it and contract with the manufacturer to launch it, and we reimburse the services for that.

In connection with the TITAN, for the first flights of the Gemini we will reimburse them for that—the Air Force for that. They will purchase those TITANS and supervise construction. While they are buying TITANS for themselves, they will buy ours. And all of that comes out of our funds.

CONTRACT FOR CONSTRUCTION OF APOLLO

Senator ALLOTT. Who has the construction of the APOLLO?

Mr. WEBB. North American Aviation Co.

Senator ALLOTT. Is that the Department of Defense?

Mr. WEBB. No, sir. It is a direct contract.

Senator ALLOTT. That is your own contract?

Mr. WEBB. Yes, sir, because the DOD is not buying APOLLOS. Wherever they are buying a vehicle they add ours on to the contract and we reimburse them.

Senator ALLOTT. Do you intend to use the TITAN II for the Gemini?

Mr. WEBB. Yes, sir.

Senator ALLOTT. Do you have any other contemplated uses of the TITAN II?

Mr. WEBB. Not at this time.

Senator ALLOTT. Beyond the Gemini?

Mr. WEBB. Not at this time.

Senator ALLOTT. What about the TITAN III?

TITAN III

Mr. WEBB. The TITAN III is still subject to discussion between ourselves and the Department of Defense. When we had a national launch vehicle program that went up through the ADVANCE SATURN to the NOVA and did not include the TITAN III, we planned our missions to utilize the vehicles which had already been approved. The TITAN III has been very carefully studied and I think there will be an agreement between Mr. McNamara and myself to add it to the launch vehicle program, probably very shortly. Studies seem to be moving in that direction.

What we have made clear is, while we do not have a specific mission for the TITAN III, the quick reaction and storable features for further rendezvous missions make it a valuable addition to the launch vehicle program.

Senator ALLOTT. What is the thrust of the TITAN III?

Mr. WEBB. The TITAN III could certainly launch the APOLLO into an earth orbit of any kind or description you might want. I do not know how far. It is a large and powerful rocket, with 120-inch solid engines tied to the sides of the TITAN II, and can fire it as the first stage and have storable fluids in the TITAN II, and you can use them almost at will. It is not the on-and-off-again thing. They can keep them a long time and they do not boil off like liquid oxygen does. It will be a very useful rocket.

Senator ALLOTT. Is the determination as to the use of the TITAN III in the immediate foreseeable future?

Mr. WEBB. The TITAN III is considered mostly for military missions. It would have some value for the use of our program in terms of backup or flexibility to choose it or other presently existing rockets for future missions. But its main value and requirement is for military missions. That is why I am being hesitant about discussing it. But it is based on the present TINTAN II plus the first stage of the big solids and can put a very large weight into orbit. If you had to have a space station in orbit, for example, or a very large communications satellite for military purposes it would be useful.

Senator ALLOTT. Can't we get the thrust relationship of the APOLLO in the record?

Mr. WYATT. We might be able to phrase it this way: TITAN III will have somewhat more capacity than our SATURN C–1, which is the comparable launch vehicle. It is a little more than the SATURN C–1.

Senator ALLOTT. Let us go into a different phase now. I admit frankly that I am less enthusiastic about a crash program to the moon than most of my colleagues, and as far as putting a man on the moon, I think it is an insignificant thing compared with the scientific know-how which goes with it, which I think is the only justification for this program. Beating the Russians to the moon is going to be too expensive a process in my mind for the propaganda value or effects that we are going to benefit from it.

What are you doing in other areas besides this one thing, or are we just obsessed with getting a man on the moon first?

Mr. WEBB. No, sir, Senator; we are not.

Senator ALLOTT. Let us talk about some of the other things first.

TEN-YEAR PROGRAM ON MANNED SPACE FLIGHT

Mr. WEBB. Yes, sir. Let me start by giving you an outline, and let some of these men that I know you would like to hear, who are actually in the work more intimately than the Administrator, explain them to you. First, we have a 10-year program which breaks down roughly into about $20 billion on the manned space flight, which uses the landing on the moon as a coordinating objective, which requires you to do everything necessary to perform that most difficult engineering feat. It means we will have to move to a 1-day mission with

MERCURY and a 1 to 2-week- mission with GEMINI, and learn how to join two objects in space; and to the 3-man APOLLO, with 1, 2, 3 modules; experience with satellites and flights around the moon, and ultimately looking toward the landing on the moon. But the purpose is to develop the capacity, and what one scientist called technological dexterity, which permits you to do all of this, and develop materials which permit you to come back to earth from these distances at 25,000 miles per hour, which is quite a different thing from orbital flight. It permits you to have communications which give you control.

All of this is adding to the capacity of the Nation in science and technology, and a going plant that will be capable of doing research to lead to these results.

ADVANCE RESEARCH AND TECHNOLOGY

On the other side we have a program of about $15 billion over that same 10-year program, which goes into very advance research and technology, that runs all the way from aeronautics with studies of the problems of entering and exiting from the earth's atmosphere at very high speeds, on through aeronautics and aviation to developing specific applications in particular space flight areas, and in these application fields we develop the tools with which to do our work.

COMMUNICATIONS SATELLITE SYSTEM

The Weather Bureau will work with the meteorological satellite system, but we will do the research and then do the improvement, using our latest network of communications and our worldwide tracking network that permits us to do this.

The same thing in the communications field. We will develop tools which will permit work in establishing worldwide systems of communications and develop the basic research tools, like a 50-mach wind tunnel that you have in your budget under consideration now. We have to go out beyond the 5 and 8 mach numbers if we are going to develop the capability of this Nation, so as not to lag behind in these sciences. We have a program roughly identified at $20 billion for the manned space flight program and $15 billion for all of these other thing, which include inhouse capability.

TOTAL COST OF MOONSHOT PROGRAM

Senator ALLOTT. What do you figure the total cost of the program for the moonshot?

Mr. WEBB. I will give you the figure of $20 billion. It is as good as any you can use. I have some estimates that run a little less than that. I am a conservative and I believe frequently these things run over. I think $20 billion is as good a figure as you can use for the 10-year period.

MANNED MISSILE FOR DEFENSE PURPOSES

Senator ALLOTT. To what extent are you coordinating with the Department of Defense in either an antimissile missile, or a manned missile for defense purposes?

Mr. WEBB. As you know, the law provides that the Department of Defense will have the responsibility and fund for specific military requirements and military weapons systems, and so forth.

Senator ALLOTT. I am completely aware of this. It is not your responsibility.

Mr. WEBB. Yes.

Senator ALLOTT. But you are doing most of the work in this area.

Mr. WEBB. We are cooperating in the GEMINI project. None of us really know what a man can do in joining these objects in space, and exactly what the problems are. Both the Department of Defense and we feel a man is necessary for us to perfect this technique most rapidly. He has qualities to offer that are very important. The manned rendezvous is not the only operation. I am sure you know the Department of Defense would not neglect unmanned operations of this kind, but in the GEMINI program we will use their TITAN which they will purchase and launch for us with the GEMINI space craft on it. Then they will launch an ATLAS with an AGENA on it. So they are very actively in the program for the use of GEMINI, and will be completely cognizant of all the activities.

The use of men in our program is directed by an Air Force officer, General Charles Roadman, who is assigned to us for duty, and is our program manager in this area. We have a number of military personnel in our organization assigned for full-time duty. We reimburse the services for their salaries. They are not just observers and liaison people, but workers in this program.

SCHEDULE ON MOON-SHOT PROJECT

Senator ALLOTT. What is your schedule on the moon-shot project?

Mr. WEBB. We hope with the new technique of the lunar orbit rendezvous to do this in, let us say, a year or two before the end of the decade. Some people say perhaps in 1967 we could do it, but I think 1968 is as good a date as you could use today.

SELECTION OF ASTRONAUTS

Senator ALLOTT. What is your present program with respect to astronauts?

Mr. WEBB. We have, as you know, six on flying status plus Major Slayton, who is still with us but not on flying status, at least for the MERCURY program. We have gone through a selection process for new astronauts in which over 200 applied or were submitted by the military services, and we have narrowed them down to 32. By the first of September, approximately, or within a few days of that, we will select approximately 10. We are considering very carefully whether it should be 10 or slightly more.

INCLUSION OF SCIENTISTS AMONG ASTRONAUTS

I may say that yesterday, out in Iowa where we had a group of space science board members over a period of this summer, we had a careful review with people from the best universities and corporations, like Rand and others, who made a very strong plea that the astronaut group should include scientists. So we have a flux situa-

tion there. I would say for the next year if we add about perhaps 10 or 12 to the six flying status men, that will take care of our needs, and by that time we will want to put another group in training.

Senator ALLOTT. Would you say the present moon program is a crash program?

Mr. WEBB. No, sir. I would say not. It is a very fast paced program designed to move as rapidly as the state of the art will permit, but in no case are we trying to force beyond the state of the art. I think "crash" is the wrong word. We are moving as rapidly as we can move, but when we get to a point where something needs to be done we do not just boil ahead with three parallel efforts to get over the obstacle.

APPROPRIATION STRUCTURE

Senator ALLOTT. I notice in this year's budget you dropped salaries and expenses.

Mr. WEBB. Yes, sir. This was done at the request of the Bureau of the Budget, who wished this budget presented in the pattern that they were using for other departments, particularly the Department of Defense. So this is a pattern of presentation prescribed by them.

Senator ALLOTT. Are the figures I used a moment ago correct with respect to your personnel?

Mr. WYATT. Yes, sir. They are these estimates, Mr. Webb.

Mr. WEBB. That is the personnel appropriation?

Mr. WYATT. Yes, sir.

Mr. WEBB. I wanted to be sure.

Mr. WYATT. These are the figures.

Mr. WEBB. That is right, but at the same time he also used a figure on personnel. That is correct, Senator. The $220 million you used is correct.

Senator ALLOTT. They ought to be correct. They were obtained from your organization.

Mr. WEBB. But I was not sure whether they included all civilian personnel. That is what I wanted to check on.

Senator ALLOTT. I would like to ask you one other question.

CONTRACTS WITH NONGOVERNMENT INSTITUTIONS

Mr. WEBB. Could I say one word there? You know that this organization gets most of its work done by contracts with other people. Out of this 1963 appropriation some 90 percent will be spent through contracts, most of it with nongovernment institutions. So we have a large job with having personnel with the technical competence which permits us to get our money's worth through contracts.

Senator ALLOTT. I am aware of that. Otherwise your figures would not show up $206 million for personnel.

Mr. WEBB. Yes, sir. That is right.

Senator ALLOTT. Out of a total budget of $3.7 billion. I would like to ask you this question. I am one of those who believes that this magic word "research" has gotten a little bit out of hand in our Government. After the Moon shot, what then?

QUALITY OF RESEARCH DONE

Mr. WEBB. May I comment first on your statement? I was a member of the group that included Mr. Bell and Secretary McNamara, who looked at this research program. One of our greatest needs is that we have in-house competence by really capable people, to be certain that the research projects are well laid out and carried out so as to accomplish what you are after. This does not mean you can direct the result. I would say that in this program in the last year we have made tremendous strides. A year ago the capability of the people in the Government to look at the total of what we got out of our research and development operations was not nearly so strong as it is today, largely because with the impetus of this program we have been able to bring in some outstanding people. I think the quality of the research being done under our direction here, if you look at it carefully, would stand up under very close scrutiny.

I say that, having previously had to approve funds going into research as Director of the Bureau of the Budget.

After the Moon——

Senator ALLOTT. I have not seen your list of research projects, but if you examine the research projects which are going on under the aegis of the National Science Foundation and the National Institutes of Health, I do not think you could come to any other conclusion than that there is an awful lot of money being wasted in this field.

I recall one under the National Institutes of Health. It is not one I searched for, but one which I chose at random out of a 1½-inch finely printed book which lists the hundreds of projects under NIH. This was a sociological development study of the people of coastal Ecuador. There are many, many others, the real value of which certainly escapes me. I wish you would turn now to the other question.

MANNED EXPLORATION OF PLANETS

Mr. WEBB. In the process of making the lunar landing we are going to develop these larger boosters that the United States has not had. They are going to give us a capability of either utilizing the surface of the moon, as some people think it will have some value, or going beyond this with manned exploration of the planets. The decision as to what to do in that respect is going to have to come later. There are going to be, I think, some decisions to make along about 1965 in regard to large earth-orbiting laboratories, or earth-orbiting stations, we will want for future work.

But the largest amount of money going into this program is to develop large boosters with which you can do work on the surface of the moon, or farther out examining the planets, or close in to the earth. I do not think we are ready to make those decisions. We do not know yet whether a man can live 3 or 4 days under weightless condition and still stand the stress of reentry; or live a month or two; or what will happen if he comes back to the stresses of reentry after a week, let us say. All of these things we will learn, and we will have the big boosters for manned or unmanned operations. The decisions in that area, I think, will have to come.

LONG-RANGE STUDIES

We are doing some long-range studies continuously; not putting a lot of money into them, but still doing long-range studies, and we do update our long-range plan every year, so that the authorities, including you in Congress, who have to consider these matters, can have something to look at and decide whether that is the right thing to go ahead with, or if it seems so.

Senator ALLOTT. The thought occurs to me that in the area of either the moon exploration or planetary exploration you can reach—and we will reach in this country, and somebody has to make a hard decision—a point of diminishing returns. We could easily be spending in this program by 1970, $40 to $50 billion a year. Somewhere in this whole process we are going to reach the point of diminishing returns and the decision of limitation will have to be made.

Mr. WEBB. May I reassure you to this extent. Insofar as this agency is concerned, we have no programs projected that would involve going beyond the level of let us say $5½ to $6 billion a year. We do not have a situation where the program is out from under control. In all of our business relationships with contractors, and establishing our central methods of control, we have the capacity to speed up or slow down depending either on the political decision as to what should be invested, or on how far you can go technically.

So we have created a system here in which judgment and control can be applied.

Senator ALLOTT. Technically we can go a long way, but we must be able to decide when we reach this point of diminishing returns as far as scientific knowledge which will be of help to us. Of course, we will always be adding to scientific knowledge. We may find out what the sex life of some ameba is on the planet Mars, and this is scientific knowledge. But this does not mean it is necessarily scientific knowledge which is returnable of value in a practical way to the life of people on earth. This is an extreme case. I have used an extreme example, of course, but in looking through some of these research programs of the Government, I assure you it is not much too extreme.

TOTAL ASTRONAUTS

As I understand it, you do have at least 10 astronauts now in training to add to your personnel group over the next 1, 2, 3, and up to 5 years in the program.

Mr. WEBB. No, sir. Over the next year. We have six now on flying status. Mr. Low, will we select any more than 10, do you think, of the present group now going through? We wanted to postpone that decision until we had a look at the total. I thought 10 or 12 would be a good figure to use.

Mr. LOW. We thought 5 would be a minimum, and 10 would be a reasonably good figure to use at this time.

Senator ALLOTT. For the next year?

Mr. LOW. These are the men who will make the first flights in GEMINI, in addition to the pilots on board now.

Senator ALLOTT. These people are not a significant part of the program in terms of money.

Mr. LOW. No, sir.

Senator ALLOTT. That is the reason why I asked this question. Then you would contemplate bringing in younger men, I mean, men who are younger now, and you will continue to do it as this decade goes on.

Mr. WEBB. Yes, sir.

Senator ALLOTT. In terms of the job, who would man an APOLLO flight?

Mr. WEBB. We won't find any finer ones than your fellow statesman, Mr. Carpenter.

Senator ALLOTT. We appreciate that because we are all mighty proud of him. As a matter of fact, I am very personally proud of all of these fellows. I do not know where you could possibly find a finer group of men—and I have had an opportunity to get acquainted personally with all of them in varying degrees—than this particular group of men. I know that you will do just as good a job in the selection of the others.

Mr. WEBB. These are great people that are ready to do this work. I would just like to give you three points that might reassure you.

DEVELOPMENT OF THE NUCLEAR ROCKET

No. 1, since we have made this lunar orbit rendezvous selection we slowed up NOVA 2 years, and I know we will spend some time seeking out how to make a better NOVA, and not make major money commitments for hardware. We have some unhappiness, I think, over the fact that when it became clear to us that the nuclear rocket could not move quite as fast to its test as some hoped, we let the contract to a company to build the test vehicle in which it would fly, but limited them definitely to about $5 million on the amount that could be spent in the first year, and did get a team of people working on it, but kept it under control. I can go into several cases for you where we have been very conscious of the fact that we had to prevent the money being spent until it could likely produce the kind of results we have in mind.

This is a definite policy we have, because these things we have to keep under constant study and review, and take the decisions that have to be taken in the same fiscal way as if it were our own money, as indeed some of it is, because we are paying taxes too.

Senator ALLOTT. Your F–1 engine is the one that is the basis of APOLLO?

Mr. WEBB. The basis of it is the ADVANCE SATURN on which the APOLLO will fly.

Senator ALLOTT. Yes.

Mr. WEBB. And the APOLLO will have engines of its own, but they will be much smaller.

ESCAPE PAYLOAD ON APOLLO

Senator ALLOTT. What are we talking about in terms of payload on the APOLLO?

Mr. WEBB. The escape payload is about 90,000 pounds.

Mr. WYATT. On the ADVANCE SATURN it will be 90,000 pounds escape to the moon, or about 200,000 pounds in earth orbit.

Senator ALLOTT. About 90,000 pounds?

Mr. WYATT. 90,000 up to the moon.

NEW METHODS OF PROPULSION

Senator ALLOTT. Let me ask you this question. Are we or are you on your way to any new methods of propulsion, other than merely strapping stages together as the Russians appeared to have done?

Mr. WEBB. Yes, sir. We are examining with great care some of the so-called exotic areas. As you noticed, the House added $500,000 to the program for examinations in areas such as fluorine. The Senate then added another $500,000 to that. We have very careful work going to determine when some of these new and more powerful fuels could be brought into use. But our main reliance for the period ahead for these heavy boosters, beyond the first stage, is on liquid hydrogen. We are doing a very great deal of work to develop the capacity of this fuel because it has large potential. We are also doing some work with electric engines and with the accompanying generating plants.

We work with the Atomic Energy Commission with generating plants, which will give us enough power. We will be having some tests in the next few months of the flight tests of an electric ion engine. We are constantly doing tests.

VALUE OF BASIC RESEARCH

Senator MAGNUSON. Even though you go ahead and make some tests, if you see this does not work out for our purpose, I do suppose you can value the know-how that is achieved, even if it is not working for that purpose.

Mr. WEBB. Exactly.

Senator MAGNUSON. And the know-how is what you are cultivating. If we do not use it for the space program it might be used in a thousand places. The know-how we get out of it is what is important. That is why the moon business has not been taken on some time ago. I do not know how much know-how this will give, and no one will be able to evaluate the know-how gained from this program. As you heard me mention on many occasions, it even goes down to the American kitchen. The things you will find will be useful for the consumer.

In this basic research there is no way of knowing what comes out in this thing.

Mr. WEBB. That is right.

Senator MAGNUSON. You have to have some goal, I guess, but I am like Senator Allott. The glamor of landing a man on the moon is incidental to this, but you have to have some objective. This is not only a matter of dollars and cents. I think that superiority of know-how in space is just as important as superiority was to the United States on the seas. And with regard to any other planet where we plant the flag, we do not know now what this will be worth in years to come for the defense of the United States, or in preventing wars. I think there is a lot of peace value in this.

Excuse me. Will you carry on?

Mr. WEBB. What I was going to add, Senator Allott, is that 1 year before the Glenn flight, the Russians did fly and recovered a capsule weighing about five times the Glenn capsule, and it will be late 1964 or early 1965 before we will be able to do the same. So we have got some real work to do here. That is why I put the stress on the fact that a great deal of this money goes to develop boosters which we

will have to use for whatever purpose we need them for in this country. I think this has some excellent concepts and some real potential for the future of this Nation.

BENEFITS BEYOND SPACE WORK

These fields of research in which we are working are not only some of the sort you mentioned, but in areas to determine how you use energy most efficiently. Civilization is really based on the efficient use of energy. We are working with the most advanced electronics to communicate with a probe out millions of miles, which gives us information about the relationship between the earth and the sun. It not only proves we know about the communications and can use them in many areas here on earth, but also the relationship of the earth to the sun is very important in terms of how we use the laws of nature.

When you develop new materials and metals and fabrics and electronics, and the most efficient use of energy, you then have to work with the life sciences because we will actually fly human beings out where you have the potential to fly them. If all of that can be put together you get many benefits beyond just the space work, as important as the space work is.

NUCLEAR ROCKET

Senator ALLOTT. I think we all understand that and comprehend it. I asked you about motors. What is the status and development of the nuclear motor?

Mr. WEBB. Do you want to take that, Mr. Wyatt?

Mr. WYATT. We have had some very successful runs on the reactor which will lead to the prototype reactor, or heat source, to be used for the nuclear rocket. We are concurrently developing the mechanical components—pumps and turbines to pump the tremendous amount of hydrogen, which is the actual working fluid.

We have a contract with Westinghouse and Aerojet for the development of the so-called Nerva engine, which will use the reactor being developed by the Atomic Energy Commission. The Kiwi reactor. We entered a contract for the building of a flight stage, the upper stage of an ADVANCE SATURN launching vehicle called RIFT, which will incorporate the engine and make a complete flying stage of it.

Senator ALLOTT. RIFT is still in the process of development?

Mr. WYATT. That is right.

Senator ALLOTT. And has not been abandoned?

Mr. WYATT. That is right.

Senator ALLOTT. One further question in this particular area: You mentioned the use of exotic fuels, which, of course, has stimulated a lot of interest and also a lot of speculation in the last few years, but what I was really getting at was whether any completely new concept of propulsion is underway and under development at this time aside from the burning of fuels, and aside from your nuclear engine?

ELECTRIC PROPULSION SYSTEM

Mr. WYATT. Yes, sir. The electric propulsion system, in which by applying electrical energy in the form of electrostatic or electromag-

netic fields you accelerated ionized particles to very high velocities, like an accelerator on the ground, and in so doing consume a very small amount of fuel. You can raise the velocity to enormous values and get in the order of 10 to 15 times as much thrust per pound of propellent consumed as we get even from the nuclear rocket.

Senator ALLOTT. This is the one in which you would use hydrogen as the basic fuel?

Mr. WYATT. No, sir. In this case you go to the very heavy elements, like cesium, because the objective is to ionize a heavy element. You accelerate that element electrically and in so doing get a very high thrust return per pound of fuel consumed. This is an engine, however, which is not suitable for takeoff from the earth, but can only be of use after you get into space.

Senator ALLOTT. It will be the type of utilization you will be using after you get into space for long sustained periods of thrust?

Mr. WYATT. Yes, sir. For months of continuous thrust.

Mr. WEBB. We have no plans to use a nuclear rocket either until we get out in space, as I am sure you know.

Senator ALLOTT. I think that is all the questions I have.

Senator ELLENDER. Mr. Webb, I guess Senator Allott and others in the Senate must pass on this. We are getting a lot of letters from constituents who are asking why spend so much money to go to the moon. Of course, the answer to that I have to give them is it is not so much the idea of reaching the moon for a specific purpose, except maybe to outdo our competitor, but to find out many other things that may be of military value to us.

I wonder if you could evaluate this? You say $20 billion is for research and in order to put the man in space. How much of that would we have to spend at any rate for that purpose and to get the information necessary to keep up with this space competition that is now moving along?

Mr. WEBB. The first thing——

Senator ELLENDER. Did you get my point?

Mr. WEBB. Yes, I get your point, Senator.

DEFENSE ASPECTS OF SPACE PROGRAMS

The first thing I want to say is, we do not make the decisions about these large vehicles and the installations to support them unilaterally. We have been in very close consultation with the Department of Defense. If you look at the fact that Cape Canaveral is being expanded and becomes a large base of operations, and that Huntsville in Alabama originated from a military installation and is within the confines of a military reservation, and the large assembly plant we have at the mouth of the Mississippi River, at Michoud, and the large testing facility we have in Mississippi—here is a test facility where we have a safety circle of 10 miles radius where we can test the big engines and fly them at Cape Canaveral, but also have a mighty large complex in which we can move the great, big vehicles around on the water. If our Nation were obliged to go to military operations by using large manned space units of 10 or 15 men in orbit, or a large number of flights to intercept unknown objects which might be of danger to us in a military sense, these facilities could be made readily available for this task.

If the policy of the Nation says we will abandon the policy laid down in the 1958 act and go to military utilization and we are forced to do it, then this will have great value. The launching complex at Cape Canaveral has a value you could not assess under those conditions. Or the testing or assembly facilities, or the transportation facility to link it up.

Senator ELLENDER. The utilization will be necessary even though you did not plan to go to the moon.

Mr. WEBB. That is right. If you were going to do nothing more than have large orbiting manned stations around the earth for any purpose, whether it was communications stations, or intercepting objects, or just servicing objects, if you get to that point.

VALUABLE BYPRODUCTS

Senator ELLENDER. As you go along, I suppose you will detect many byproducts of this that will be useful.

Mr. WEBB. Absolutely.

Senator ELLENDER. For instance, like the Telstar that we are talking about now.

Mr. WEBB. Absolutely. And the weather satellite system which is giving us the knowledge of worldwide weather.

Senator ELLENDER. So these are really the things that are being accomplished in our attempt to reach the moon.

POTENTIAL MILITARY VALUE OF VEHICLES

Mr. WEBB. That is right. In the booster program we have 10 vehicles now in the program, and before you came in I believe I mentioned to Senator Allott we may soon have the decision to add TITAN III, which would give us 11 vehicles, I believe, in the national booster program. From the small SCOUT which you know can put 150 pounds into a low-earth orbit, all the way up to the giant NOVA, or TITAN III. They all have some potential military value. So has the SCOUT. One went off yesterday from the Pacific range under a DOD mission. So each of these things is like having a line of trucks. Some can carry a small load and some a big load and some travel at a great rate of speed over highways, and others pull a load over rough terrain.

The TITAN II is part of the booster program. We will use it for the Gemini. If that turns out to be able to do all we expect it to do we will want to have a number of Geminis. Undoubtedly the DOD could do the same if they had the requirement for it, but if this vehicle is developed as part of the national program on which we both agreed, it will be useful to both of us. Both agencies are using funds to develop the capability of selected boosters for launching in a manner which gains a complete knowledge of the science and technology required, whether needed for civilian space requirements or military missions.

In this civilian organization you have the same thing you had in aeronautics with the wind tunnels. You developed the capacity through a carefully oriented organization. You have the same thing in space here to support whatever our requirements are—military or otherwise.

TOTAL EXPENDITURES TO DATE

Senator ELLENDER. When you say you envision the expenditure of about $20 billion, how much of that have you already spent or do you project that into the future?

Mr. WEBB. I was adding fiscal year 1962 at about $1,400 million. You see, our appropriation for 1962 fiscal year was about $1,700 million—slightly under $1,700 million. But expenditures would run behind that. About $1,400 million, because we are building up. For the current year, 1963, where we are asking you to appropriate $3,700 million, the expenditures will run something like $2,800 million or $2,900 million. Perhaps less.

Senator ELLENDER. Would you consider this the first increment of your $20 billion projected amount?

Mr. WEBB. Yes. You ask what have we spent now? I would say out of $20 billion roughly some $1½ to $2 billion.

Senator ELLENDER. And the rest will have to be appropriated within the next 4 or 5 years, depending upon the length of time it will require to accomplish?

Mr. WEBB. Yes, sir. If the program goes forward with the impetus we put behind it now, it would level out at under $6 billion. If we decide not to run it at that rate, it can come down from there, but if you come down from that figure you are going to slow up the program.

Senator ELLENDER. You spoke of another item of $15 billion. That was for what?

Mr. WEBB. This was for all of the things not directly associated with the man-in-space flight; communications, weather satellites, scientific exploration, etc.

Senator ELLENDER. When will you spend that, or are you spending some now?

Mr. WEBB. That is going on, and this was included in the expenditure figure I gave you, and also in the level. When I said the whole program would level out at under $6 billion, I am including both the $20 billion for manned space flight and $15 billion for all the rest.

Senator ELLENDER. And the $15 billion. If this entire project would cost aggregating $35 billion, how much of that do you figure you have already spent at this time?

Mr. WEBB. I would say between—do you mean in the 10-year period? I am thinking of the $35 billion.

Senator ELLENDER. No. I am thinking of how much we will have to provide in the future. In other words, how much have you spent that we have already provided for you, and which you have actually spent of this $35 billion?

Mr. WEBB. You see why I am having trouble is that this has been an ongoing program since 1958, and you have had expenditures each year. I would say, just taking the $35 billion estimate, I would say up to this time no more perhaps than—what have you got?

Mr. SIEPERT. About $3½ billion was appropriated up through this year.

Mr. WEBB. Mr. Siepert says about 10 percent of that $35 billion.

Senator ELLENDER. Ten percent. That does not include this year's appropriations?

Mr. SIEPERT. No, sir.

RESEARCH BY COLLEGES

Senator ELLENDER. I am very much concerned, as Senator Allott just pointed out about this research money that is being expended in other departments. Could you tell us how much of this research fund is being spent in getting research done and work done by colleges?

Mr. WEBB. Yes, we can tell you that. Bear in mind, where we have an appropriation called research and development and operation, we have to buy a lot of fuel. Hydrogen, liquid oxygen, and kerosene. You have a large number of things that are just not research here, because you have large amounts of money going into hardware, boosters, and spacecraft.

Senator ELLENDER. Off the record.

(Discussion off the record.)

Mr. WEBB. Senator, I have a statement here, and it is just a summary, but it is for 6 months, July 1 to December 31, 1961, but I think it will give you a typical period.

During the period, about $23 million or 4 percent of our funds represented contracts and research grants to nonprofit institutions all over this country.

That is about 4 percent.

Senator ELLENDER. Now, as was brought out before the Defense Committee several weeks ago, we found out that Princeton University is getting the major part of this research money.

Is that what is reflected in your statement?

Mr. WEBB. Well, we have a situation that is composed of two parts, and I think I woud like to bring that out right now.

JET PROPULSION LABORATORY

We have a contract with the California Institute of Technology to operate the Jet Propulsion Laboratory.

Now, that is a very large operation, and I did not include that here.

That budget runs about $200 million a year, in which they are developing and building spacecraft.

Senator ELLENDER. Where?

Mr. WEBB. At Pasadena, Calif.

Senator ELLENDER. On their own grounds?

Mr. WEBB. No, it is Government owned. We have a Government-owned laboratory that we took over from the Army.

Senator ELLENDER. Is it next to it?

Mr. WEBB. It is about 5 miles from the university, and we have about 3,500 people working there.

But the university administers this and they do it under contract with us.

Senator ELLENDER. Well now, when you say "administers" do they furnish any of their professors to operate it or——

Mr. WEBB. We pay for everyone who operates it.

If a man from the campus transfers and works for JPL, his salary comes under our contract.

Senator ELLENDER. Well, what I had in mind was research projects in which the Government furnishes the money in order to build the facility to carry on these research projects.

Mr. WEBB. Well, that is what I thought. We own all of the facilities used at the JPL.

Now, at the other——

Senator ELLENDER. That is not on the campus?

Mr. WEBB. That is right, not on the campus.

RESEARCH AT PRINCETON

Senator ELLENDER. Now, let's take—and I do not want to jump on Princeton all of the time or Yale or Harvard—but they are getting quite a bit of the research money. It might be a good thing, as far as I know, but what concerned me was the statement by someone, either the President or somebody connected with Princeton, who told the committee that except for the money received from the Government Princeton would have to close.

In other words, there is enough money channeled through to Princeton to keep it afloat or keep it going.

Mr. WEBB. Well, let me tell you——

Senator ELLENDER. And I do not like that. I mean——

Mr. WEBB. This is a real problem in the United States.

Our contracts go to practically every State in the Union, but a few institutions have done more work for us than others.

For instance, where I was yesterday, at the State University of Iowa, Dr. Van Allen, whom I know you have read about as the discoverer of the Van Allen radiation belts, has a laboratory there and does work under grant and contract from us.

At the University of Minnesota, they have three outstanding scientists who are doing research for us. Dr. Winkler, Dr. Neer, and Dr. Nye.

At Chicago there is Dr. John Simpson, and at Berkeley, Calif., there is Dr. Silver.

There are a few people like this who have been outstanding in the work. You know, they have worked in this field for many years. There are not many scientists in space. Now, more are getting interested in it. We do support for example, some of the materials research at Rensselaer and Rice Universities.

Senator ELLENDER. Well, as someone suggested a while ago, the scientists are people we ought to cultivate rather than have to keep depending on outside people.

Mr. WEBB. Right.

Senator ELLENDER. Now, you say 4 percent of what is being spent in colleges? Not of the entire amount?

You gace me a figure 4 percent. What is that of?

Mr. SIEPERT. May I speak to that?

Mr. WEBB. Yes.

Mr. SIEPERT. Of our total appropriation, we are spending close to 90 percent of all of our dollars as contracted dollars—that is, we buy services from other organizations rather than perform that work within our own Government laboratories.

In the figure Mr. Webb used, he took the total procurement which is 90 percent of our business for the last completed half year on which we have figures. We are in a period of a rising scale of expenditures,

but that figure for the last half of calendar 1961 covered $630 million worth of procurement. Four percent of that procurement was placed with nonprofit university channels rather than industrial channels or governmental channels.

Senator ELLENDER. Now, was that for knowledge? Was it for goods or to obtain services or what?

COMPLICATED INSTRUMENTATION

Mr. WEBB. To obtain knowledge, and hardware because, you see, we are also buying very complicated instrumentation which is very expensive; something of the——

Senator ELLENDER. From nonprofit——

Mr. WEBB. Dr. Van Allen is directly responsible for not only conceiving the design of his instruments, but for having them built.

In other words, the instruments that flew in the VANGUARD that measured the flux in the Van Allen Belts and discovered it, were put together in Dr. Van Allen's laboratory at the University of Iowa.

Senator ELLENDER. And you helped him to do this?

Mr. WEBB. Yes, we paid for it, but he actually had the equipment built that flew on the nose of that rocket.

EXPENDITURES FOR EQUIPMENT AND FACILITIES

Senator ELLENDER. To what extent are you spending money in order to provide facilities at these various schools such as laboratories and——

Mr. WEBB. The only money we are expending for the kind of thing that Dr. Van Allen does is the equipment he needs to conduct the research that permits him to build this equipment, and to get the data back and then interpret the data on the magnetic flux.

In a few cases, where we have worked, such as at Rensselaer, we have agreed to build one wing of a building to increase the amount of materials, research work, that they are doing. At the University of Chicago we are trying to bring together the people working in astronomy and the people working in a specialized institute there, with various space missions, where they are also going to fly specific experiments.

We are expending a small amount of money in those cases but in no case more than about $1.5 million per university.

And I would say there would not be more than about a dozen of those.

SELECTION OF COLLEGES FOR RESEARCH CONTRACTS

Senator ELLENDER. How do you proceed to select the colleges in which you obtain information?

Mr. WEBB. Well, basically, we react to proposals that they make.

The scientists, like Dr. Van Allen, say, "You know with the rocket power available we could learn a lot about this area around the earth that affects communications and, as a result of this work we can maybe save a million or two dollars in managing communications through the atmosphere."

He says, "There is some more information that would do us a lot of good. I can get it for you if you would furnish me the money to

do this work and let me build this hardware and put it on the next rocket that flies."

Now, that is generally how it works out.

And if there are some areas that we need information on and know they are capable people, we will go after them and try to get them interested in doing the work.

Senator ELLENDER. But you have no specific method of selection——

Mr. WEBB. No; we do not have a pattern like the Science Foundation, that has a formula where people come in and apply on their formula.

We do only those things that pertain to getting our own mission performed.

COOPERATION WITH OTHER AGENCIES

Senator ELLENDER. Well now, to what extent does your outfit cooperate with the Science Foundation?

Mr. WEBB. We cooperate——

Senator ELLENDER. That is, in obtaining this information, because it would seem to me that unless you do there would be quite a lot of duplication.

Mr. WEBB. We cooperate very closely with them. We cooperate very, very closely with the Atomic Energy Commission and the Department of Defense.

We have a very complex mechanism that runs right to a lunch once a month between Secretary McNamara and myself, with his people like Dr. Brown and NASA people like Dr. Seamans and Dr. Dryden.

Now, that runs right into the reaches of the work we do.

With respect to the Science Foundation, we keep up generally with those areas that they are financing that affect our work. We keep up with the literature that comes out of their research.

And we do consult with them as to the people best qualified to do the work and on the Federal Council of Science and Technology, I go regularly, as does Dr. Waterman.

So that we keep in quite close touch but they are after something different than we are. They are after a general support of the expansion of knowledge. And the university resources do the research.

We are after specific things that help us get our job done.

Senator ELLENDER. Well, of course, their claim is that they provide the brains for your use in the future.

Mr. WEBB. Well, they provide a general base of brains into which we reach.

Senator ELLENDER. I was glad to vote to create the National Science Foundation, and they started out on a small basis. That budget this year is $358 million.

Now, that is quite a bit of money, and that amount of money is being used more or less for training purposes, to contribute to various institutions in order to train people to do work that may be necessary in the fields which we are now talking about.

Are there any other questions?

Senator ALLOTT. Yes, I have some more, Mr. Chairman, and I will be very short.

UNIVERSITY OF COLORADO ASTROPHYSICS LABORATORY

I would like to inquire about one of your policies:

The University of Colorado has expressed its interest in having you work with them in its Joint Institute for Laboratory Astrophysics.

How is that proceeding?

Mr. WEBB. We are working with them now to determine the specific interest that we might have in their activity and the results, Senator.

We have not participated in the financing of that activity as yet. But if it does contribute to the accomplishment of our mission we will work out some arrangement with them.

Senator ALLOTT. Well, I am of course interested in this, as a man who is elected from Colorado.

Both NASA and the National Bureau of Standards were involved in formal and informal contacts with the University of Colorado for sometime before it was brought to my attention. As a matter of fact, to determine your role and that of NBS, I was forced to initiate letters to you and to Director Astin of the National Bureau of Standards.

Mr. WEBB. I regret that.

Senator ALLOTT. And, as a matter of fact, I did not learn of the plans for JILA until it was almost 2 months old. I simply want to say this:

When you are considering a project such as this, the people of Colorado or the people of Alabama or Louisiana or Washington, find it very difficult to understand how their Senator, who serves on the Appropriations Committee for NASA would be completely unaware of what is going on.

Mr. WEBB. I regret that took place. We will try to do better.

MERCURY AND GEMINI PROGRAM

Senator ALLOTT. There are two or three more quick questions.

What is your program for MERCURY and GEMINI now?

How many more MERCURYS——

Mr. WEBB. Well, we are going to do a six-orbit flight on the next one and have the equipment to do still another three- or six-orbit flight beyond the one that we expect to do next month.

After that we will be moving toward a 1-day mission with the MERCURY.

That is 17 or 18 orbits to gain 1 day's experience, and how many flights of this type do you expect?

Mr. LOW. We plan four such flights.

Mr. WEBB. Four 1-day missions. Then we will phase into the GEMINI.

Senator ALLOTT. And that will be when approximately? The latter part of 1963?

Mr. WEBB. Hopefully, the first GEMINI flight will take place in December of 1963 or early 1964.

WEATHER SATELLITE

Senator ALLOTT. One question about the weather satellite.

What is that called?

Mr. WEBB. TIROS.

Senator ALLOTT. TIROS? I have not heard anything recently on this. How is it working?

Mr. WEBB. One camera is not working. One is still working, and we have another TIROS being prepared so that if, for any reason, this second camera fails, we will be able to put another TIROS up for the hurricane season.

Senator ALLOTT. That will be based upon what kind of a flight? Is it infrared?

Mr. WEBB. Infrared. Well, it does both. It takes the pictures in daylight of the clouds. The next one will not have the infrared on it.

ACQUISITION OF LAND IN FLORIDA

Senator ALLOTT. Now, the 14,000 acres in Florida. Is this land to be used for your expansion into the programs that we are talking about or have been talking about here?

Mr. WEBB. Yes, sir. Well, it has another aspect that I want to be real——

Senator ALLOTT. All right.

Mr. WEBB. Frank about. You see, we are having to transfer part of our property to the Defense Department to get adequate siting for TITAN 3.

Now, we have got such congestion here we are now considering the problem of overflying the launch stands by putting a second or third row, so that we will be overflying with approved rockets.

We are not going to take the risk with early experimental rockets.

Now, north of this is 14,800 acres. This is immediately adjacent, and is the only land within this area. You know, we spend a great deal of money to develop this range, so we thought we should go in and take all of this.

Senator ALLOTT. Who owns it?

Mr. WEBB. It is owned by a variety of owners. It will have to be condemned through the courts.

Senator ALLOTT. One last question:

RUSSIAN PROJECTS

Do you have any information relating to any projected spectaculars by the Russians?

Mr. WEBB. When you say "any information" and couple it with "spectaculars" we have some information that there is activity, and whether it will be of a spectacular nature or not, it is hard to say.

Senator ALLOTT. They have been very quiet in this area now for——

Mr. WEBB. About a year.

Senator ALLOTT. I do not know how many months, but quite a few months.

Mr. WEBB. The most knowledgeable people do not expect them to stop flying large vehicles or vehicles with men in them, and they have

made several public announcements that they will make flights this year.

I think that is probably as accurate a statement as I could make, do you not think?

Mr. WYATT. Yes, sir.

Senator ALLOTT. There is no indication that they are in any degree closer to the moon than we are?

Mr. WEBB. No, sir; none.

Senator ALLOTT. This question——

Mr. WEBB. We both have such a big job to do to develop the big rockets to get to the moon.

We do not have them and they do not either at this point.

BOOSTER POWER OF THE RUSSIANS

Senator ALLOTT. This question was asked in previous hearings and the information and previous testimony by Dr. Dryden before this committee, I believe, was that while the Russians were ahead in booster power, by 1964 or 1965 the United States should be equal to the Russians, not the Russans as they were then, 2 years ago, but the Russians as they will be in 1964 or 1965.

Do you think this is still true?

Mr. WEBB. Well, when we fly the APOLLO spacecraft in orbit around the earth we will have put in orbit as heavy a weight as they did a year before the Glenn flight, and we can do that with the SATURN with which we have already had two test flights.

Senator ALLOTT. But this does not mean that we would still have developed the booster power that the Russians may have then?

Mr. WEBB. That is correct, because we do not know what they will have then.

Mr. SIEPERT. I think Dr. von Braun has also made this point when he was questioned by the committees. There may be a leapfrogging situation going on here.

Senator MAGNUSON (presiding). As I understand this, and I have talked with Dr. Dryden many times, I do not think we should have this program with this main objective to be always, in every phase, ahead of somebody or to imitate somebody.

We have got a program that is carefully laid out, a program consistent with our ability to do it, with our resources to pay for it, and with certain objectives.

And I do not think we should be deviated just because it happens that maybe in one phase we might get some work done ahead of the Russians or vice versa.

We think this is a program, or at least I do, and I have been exposed to a lot of it, but a program that will put us in as good a position as any group of people in the world in this conquest of space of the next few years——

Mr. WEBB. That is right.

Senator MAGNUSON. And once we start to deviate we will lose sight of the things that we have to do, but we have to move along step by step to reach our objectives.

Senator ALLOTT. Well, I am in complete accord with that, Mr. Chairman, but I still think that whether or not we are equal or will

exceed the Russians in booster power at any given stage is still a very significant question.

Senator MAGNUSON. Yes, and I think that they think it is significant, but we can only go ahead with our ability to go ahead, and if we start this crash thing then we lose sight of our overall broad objective, that is going to put us where we want to be in a certain given time.

Senator ALLOTT. Well, I do not think these men are going to try to put anything in orbit that is not ready to go.

Senator MAGNUSON. No, that is right.

Mr. WEBB. That is right.

Senator ALLOTT. Particularly when it involves American men.

The Russians can do it and it does not matter. We cannot.

Mr. WEBB. No, we cannot.

Senator MAGNUSON. And we had a late start in some things, comparatively——

Mr. WEBB. Right.

Senator MANGNUSON. I think it is a fair statement to say that we are getting into a position where we do not have to bow to anybody.

SATURN C–5

Mr. WEBB. When we get the SATURN C–5 we are going to have a great power in space.

I mean, if—even if someone has something bigger, we will have the rendezvous technique where we can join two or three of these.

When we get to the SATURN C–5 we are going to be way up the road in terms of space power for this Nation, and this will come about the time period, Senator, that you were referring to.

DEFENSE FUNDS FOR SUPERSONIC RS–70

Senator MAGNUSON. Yes. And now, one question, too:

We have had before us FAA the last 2 days and also the members of this committee have been in the Defense appropriation and in the Defense appropriation we put $362 million, I believe, in for the supersonic RS–70.

Senator ALLOTT. $394 million, I believe.

Senator MAGNUSON. Something like that.

Mr. Halaby was in with his program day before yesterday or yesterday, and that was 30——

Mr. WEBB. $25 million.

Senator MAGNUSON. $25 million?

Mr. WEBB. Yes, sir.

Senator MAGNUSON. And then it was also stated in both hearings that NASA was doing some work on the supersonic.

Mr. WEBB. That is right.

Senator MAGNUSON. Now, are you convinced that there is no overlapping of these——

Mr. WEBB. Yes, sir.

Senator MAGNUSON. Operations?

Mr. WEBB. We are doing two different things, both of which fit together and we are in very close touch.

Our programs have been planned together. We do the basic research and then Halaby picks it up from there.

Senator MAGNUSON. And their concern, it is my impression, is more with the vehicle, or with the airplane itself, the frame, and you are doing the basic research and the military concern is with the development of the supersonic for military purposes?

Mr. WEBB. Yes.

Senator MAGNUSON. And the three of them can help out together?

Mr. WEBB. That is right. I have just proposed to the Defense Department that they take one of these RS–70's and have a project with us like we have with the X–15, and really wring out that airplane completely.

This has been the practice with respect to every airplane that was produced militarily or commercially in this country, and this is the way we work.

The X–15 is just a good example of how you really wring everything you can out of it, but we have to do a lot of flying and we have to instrument that airplane.

FUNDS FOR SUPERSONIC TRANSPORT WORK

Now, if this is agreed to, the money to do the instrumentation of this particular RS–70, and to conduct our part of the program, will be in our budget. We have, I think about $21 million in this particular budget you are approving now for the supersonic transport work that we will do.

Senator MAGNUSON. Now, you are having a little liaison with my poor orphans the oceanographers occasionally?

Mr. WEBB. Some, but we are not working under the seas so much. We hope our things do not go under the sea.

Senator MAGNUSON. There are things that you are doing that they could benefit by?

Mr. WEBB. Yes, sir.

Senator MAGNUSON. After all, this is another unknown that we have.

Mr. WEBB. We do meet at the Federal Council on Science and Technology, and we do cooperate in any way that we can with them.

We try to make what we are learning in our research program available to anyone like this.

Senator MAGNUSON. Yes.

Senator ALLOTT. Mr. Chairman, before we leave this subject, I must have misunderstood Mr. Halaby yesterday afternoon or else I misunderstood this question and answer.

It was my assumption yesterday that NASA was primarily old NACA work——

Mr. WEBB. That is right.

Senator ALLOTT. Which you absorbed, and which is primarily in the space frame of the RS–70 and the supersonic transport.

And that Mr. Halaby was interested primarily, on his end——

Senator MAGNUSON. Excuse me.

Senator ALLOTT. In the development of motors.

Senator MAGNUSON. You are right. I have the thing reversed.

BASIC RESEARCH ON PROPULSION

Senator ALLOTT. Am I right or am I wrong?

Mr. WEBB. You are correct, except a lot of basic research with respect to propulsion is done in our laboratories because we have the wind tunnels and the people to use them.

He does not have any wind tunnels or basic research to do it with, but he will do this—he will go to industry and say, "Will you do the basic research and design this particular component, or even of a whole airplane, if you have the money to do the whole airplane?"

Now, once this goes forward, they run into problems. They come back to our laboratory and we go right to work to solve that problem. Even after flight, because if you have crises like the Electra we pick right up with the group and do the basic work to help solve the aeronautical problem here of what caused that deficiency.

Senator ALLOTT. Well, I want to get down to the fundamental division.

The Senator is as concerned as I am, and we all are, as Senator Ellender has indicated, about duplication.

But, as I understand it, it is the frame research that you are primarily concerned with and for which you are assuming primary responsibility?

Mr. WEBB. And the instrumentation and anything that deals with the application of basic research to a specific article that is going to be used like a commercial transport or a military airplane.

We do the same on the TFX with the military. This is a traditional role that has been played for many years.

Senator ALLOTT. I know what part NCAA has played. I just want to get the line drawn here so that we know where the money is going when we put in x million of dollars into this project. I am just trying to find out your functions and theirs, that is all.

Mr. WYATT. Sir, they are going to be developing a specific engine suitable for a supersonic transport. This is the $25 million end.

We will be doing some work in the engine installation area and in some of the components of the engine itself, of course, but primarily the aerodynamics and airframe construction work——

Senator ALLOTT. That is what I thought.

Senator MAGNUSON. Yes, I had it reversed.

Senator ALLOTT. All right.

FLORIDA LAND VALUES

Senator MAGNUSON. Now, I do not know, but maybe I am not cognizant of Florida land values, but is not $32 million for that land not there, or would not that be about——

Mr. WEBB. It is 14,800 acres.

Senator MAGNUSON. $1,900 an acre?

Mr. WYATT. Sir, part of that——

Senator MAGNUSON. Is that not a little high?

Mr. WYATT. Less than $26 million is for the land. We will have to relocate the so-called Haulover Canal that connects the Banana River with the rest of the coastal waterway.

Senator MAGNUSON. Are there any buildings and people living on that area?

Mr. WYATT. Some few. It is not highly populated, but there is a spit of land——

Senator MAGNUSON. Well, maybe the land is worth than much.

Mr. WYATT. That is in very choice beach land.

Senator ELLENDER. Is that in Florida?

Senator MAGNUSON. Yes.

Mr. WEBB. This has been estimated by the Corps of Engineers, who are going to procure the land, and of course, if we get it for less—I mean, my understanding is that we will have to go to court and condemn it all.

Senator ELLENDER. How much of that is marshland?

As I remember, most of it is.

Mr. WEBB. There is some beach land here which is pretty valuable.

Senator ELLENDER. Sand dunes?

Mr. WEBB. Yes.

Senator MAGNUSON. Yes. Maybe it is.

Senator ELLENDER. How much is the average price?

Senator MAGNUSON. How much is it?

Mr. WYATT. About $25 million for the land itself.

Senator MAGNUSON. $25 million? That would be about $1,500——

Senator ELLENDER. Per acre?

Senator MAGNUSON. Yes; $1,500 per acre.

Mr. WEBB. You see, some of that land will be much more than that, where it is right on the beach.

Senator MAGNUSON. Well, our Engineers are pretty tough bargainers.

Mr. WEBB. Yes, they are going to procure the land for us.

Senator MAGNUSON. Now, one last question—excuse me—do you have anything else?

Senator ELLENDER. No, sir.

Senator MAGNUSON. One last item: the House gave you seventeen five.

Mr. WEBB. For the Administrator's——

Senator MAGNUSON. Fund for scientific expenses and the other extra expenses, and we will take a look at that and see.

It seems to me that in a program this size you ought to have a little more flexibility.

Mr. WEBB. Could we have this off the record?

Senator MAGNUSON. Yes, this is off the record.

(Off the record discussion.)

ACQUISITION OF TRANSPORT PLANES

Senator ALLOTT. What are these planes that you lost?

Senator MAGNUSON. Yes, what are the planes?

Mr. WEBB. We plan to buy or lease three transport planes like the *Aero Commander* or *Gulfstream* type. We need faster planes than the Convair class.

Mr. SIEPERT. I do not have that information here.

Mr. WEBB. Could I furnish that to you?

Senator ALLOTT. I think you had better get it for the record.

Senator MAGNUSON. Put it in the record.

(The information is as follows:)

It will continue to be the policy of NASA to obtain the loan or bailment of aircraft, wherever possible, through negotiation with the Department of Defense.

It is presently planned to purchase three transport planes, one of the *Aero Commander* class for use at the X–15 base, Edwards, Calif., and two of the *Gulfstream* class (one will be stationed at Manned Spacecraft Center, Houston, Tex., and one at the Langley Research Center, Hampton, Va.). The airplane to be stationed at the Langley Research Center will provide faster transport service than the T–29 Convair it is to replace. The second one at the Manned Spacecraft Center will provide similar transport service for the Houston, Huntsville, Cape Canaveral area.

Mr. WEBB. These are not plush planes, Senator. They are working airplanes.

Senator MAGNUSON. This is off the record.

(Discussion off the record.)

Senator MAGNUSON. Well, if there are no further questions, we thank you very much.

Mr. WEBB. Thank you for your courtesy, sir.

Remember, the Space Agency invites the committee to come down any time and look at some of these vehicles and the planes and the models, any time, and I would like to set a specific date and have you for lunch.

If you will, maybe, give us an hour and a half to——

Senator MAGNUSON. Maybe we can do that before we leave here.

By the way things are going upstairs we may be in here until you put the moon flight up.

Senator ALLOTT. We, at least, have a good chance of being here until GEMINI goes up.

Senator MAGNUSON. Well, thank you.

The committee will recess until Monday morning, when we will have the ICC at 10 o'clock on Monday.

(Whereupon, at 4:50 p.m., the committee was recessed, to reconvene at 10 o'clock Monday, August 13, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

MONDAY, AUGUST 13, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., pursuant to recess, in room F–37, the Capitol, Hon. Warren G. Magnuson (chairman) presiding.
Present: Senators Magnuson, Ellender, and Allott.

INTERSTATE COMMERCE COMMISSION

STATEMENT OF RUPERT L. MURPHY, CHAIRMAN, INTERSTATE COMMERCE COMMISSION, ACCOMPANIED BY LAURENCE K. WALRATH, VICE CHAIRMAN; HOWARD G. FREAS, COMMISSIONER; ABE McGREGOR GOFF, COMMISSIONER; CLYDE E. HERRING, COMMISSIONER; BERNARD F. SCHMID, MANAGING DIRECTOR; HAROLD D. McCOY, SECRETARY; ROBERT W. GINNANE, GENERAL COUNSEL; C. W. EMKEN, DIRECTOR, BUREAU OF ACCOUNTS; VERNON V. BAKER, DIRECTOR, BUREAU OF FINANCE; ASA J. MERRILL, DIRECTOR, BUREAU OF INQUIRY AND COMPLIANCE; HERBERT QUALLS, DIRECTOR, BUREAU OF MOTOR CARRIERS; B. E. STILLWELL, DIRECTOR, BUREAU OF OPERATING RIGHTS; S. A. APLIN, DIRECTOR, BUREAU OF RATES AND PRACTICES; CHARLES W. TAYLOR, JR., DIRECTOR, BUREAU OF SAFETY AND SERVICE; EDWARD H. COX, DIRECTOR, BUREAU OF TRAFFIC; EDWARD MARGOLIN, DIRECTOR, BUREAU OF TRANSPORT ECONOMICS AND STATISTICS; LEE R. NOWELL, DIRECTOR, BUREAU OF WATER CARRIERS AND FREIGHT FORWARDERS; J. NEIL RYAN, BUDGET AND FISCAL OFFICER; GEORGE J. LOTITO, ASSISTANT BUDGET AND FISCAL OFFICER; DALE W. HARDIN, CONGRESSIONAL LIAISON OFFICER; AND WYNNE G. ALLEY, CHIEF, MOBILIZATION OFFICE

LETTER AND JUSTIFICATIONS

Senator MAGNUSON. The committee will come to order.
We will place in the record your letter in full containing the justifications.

(The letter referred to follows:)

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: This is in response to your letter of July 27, 1962. The Commission appreciates the opportunity to advise your subcommittee of changes required in the independent offices appropriation bill for 1963 as reported by the House Appropriations Committee.

As reported to the House, the bill would reduce by $1,012,500 the amount included in the President's budget for the Commission for fiscal year 1963.

The President's budget recommended an appropriation of $23,200,000 and 2,542 positions for the Commission, but the House Appropriations Committee bill provides for only $22,187,500 for salaries and expenses of the Commission to continue the present operating level in 1963. This action would seriously jeopardize the Commission's ability to discharge its responsibilities as regards the following significant factors: (*a*) the anticipated increase in our formal casework involving motor carriers and railroads; (*b*) the critical need to handle more expeditiously the formal casework pending before the Commission and reduce the so-called regulatory lag; (*c*) the urgent requirements to increase our enforcement and compliance programs; (*d*) the demands for developing current cost data; (*e*) the immediate and urgent need to provide timely research and adequate advisory assistance to the Commission in its decisional functions and in the formulation of policy; (*f*) to provide an economic counsel staff to assist the Commission by assuring the development of an adequate record including the protection of the public interest; (*g*) the necessity to meet our responsibility to provide adequate review and analysis of protested rate adjustments; and (*h*) increased costs of supplies, equipment, telephone service, and within-grade salary advancements which are uncontrollable.

An analysis of our presently authorized program indicates that the $22,187,500 allowed by the House committee to continue the 1962 operating level in 1963 is woefully inadequate. Furthermore, absorption of the entire increased travel costs resulting from the higher per diem rates during fiscal year 1962 required a deferment of $100,000 in purchases planned for that fiscal year which definitely will have an adverse effect on procurement planned for 1963.

The constant expansion of operations and services in the transportation field, the increasing competition among carriers, the development of new production areas, relocation of industries, use of "piggyback," variety in types of containers, and new shipping methods are some of the factors which have contributed to our large and growing workload. The continuing increase in matters coming before the Commission, many of which are of major transportation importance, plus increased activity in our other responsibilities are causing the budgetary needs of the Commission to rise.

The Commission, pursuant to delegations from the President and the Office of Emergency Planning, is responsible for the preparation of emergency preparedness programs for utilization of all segments of surface transportation and storage in the event of a national emergency. The Commission's 1963 budget includes $175,000 and 15 positions to permit augmentation of programs begun in the 1962 fiscal year and development of new programs as indicated in directives and orders assigning responsibility for certain emergency preparedness functions to the Commission. The House Appropriations Committee has deleted this item and states that emergency transport activities should be financed as necessary from an allocation from the Office of Emergency Planning.

We also have been advised by Mr. Cooper, staff member of your subcommittee, that this item will be considered in connection with appropriation requests of the Office of Emergency Planning. Accordingly, although we fully support the amount requested for civil defense and defense mobilization functions, in view of the House Appropriations Committee action and advice received from your staff the Commission is not requesting restoration of the $175,000 eliminated from the Commission's budget estimate.

In order for the Commission to perform its responsibilities effectively and with proper dispatch, the following changes in H.R. 12, 711, independent offices appropriation bill, 1963, as reported to the House are deemed necessary:

On page 34, line 16, strike out "$22,187,500" and insert in lieu thereof "$23,025,000".

On page 34, line 16, strike out "$1,718,300" and insert in lieu thereof "$1,753,700".

On page 34, line 18, strike out "$1,147,000" and insert in lieu thereof "$1,170,800".

We appreciate the opportunity to appear before your subcommittee in support of the changes requested and to answer any questions that you or the subcommittee members may have on the activities of the Commission.

Sincerely,

RUPERT L. MURPHY, *Chairman.*

INTERSTATE COMMERCE COMMISSION

Salaries and expenses, Interstate Commerce Commission

	1962 estimate	1963 estimate
Appropriation or estimate	[1] $22,200,000	$23,200,000

Obligations by objects

Object classification	1962 estimate	1963 estimate
Number of permanent positions:		
Departmental	1,651	1,710
Field	822	832
Total	2,473	2,542
Average number of all employees	2,424	2,491
11 Personnel compensation	$18,420,849	$19,104,166
12 Personnel benefits	1,363,584	1,412,814
21 Travel and transportation of persons	1,289,791	1,440,000
22 Transportation of things	34,400	35,400
23 Rent, communications, and utilities	307,912	332,512
24 Printing and reproduction	213,400	217,400
25 Other services	107,580	129,980
26 Supplies and materials	259,123	272,089
31 Equipment	203,361	255,639
Total	22,200,000	23,200,000

[1] Includes an estimated supplemental appropriation of $125,000 for increased travel costs.

JUSTIFICATION FOR APPROPRIATION FOR THE FISCAL YEAR ENDING JUNE 30, 1963

The estimate for appropriation for the Interstate Commerce Commission for the fiscal year 1963 is $23,200,000. The budget estimate for $23,200,000 provides a total of 2,542 positions, an increase of $1 million and 69 positions over the appropriation for the current fiscal year, including the proposed supplemental estimate of $125,000 for the increases in travel costs authorized under Public Law 87–139, approved August 14, 1961.

The following statement shows the total appropriation plus the additional supplemental needed for the current fiscal year, the budget estimate for 1963, and the increases requested for 1963, detailed to show special activity limitations included in the 1962 appropriation act.

	1962 appropriation [1]		1963 budget estimate [2]		Increases requested for 1963	
	Positions	Amount	Positions	Amount	Positions	Amount
General activities	2,224	$19,330,300	2,293	$20,275,500	+69	+$945,200
Railroad safety	144	1,720,700	144	1,753,700	----------	+33,000
Locomotive inspection	105	1,149,000	105	1,170,800	----------	+21,800
Total	2,473	22,200,000	2,542	23,200,000	+69	+1,000,000

[1] Includes an estimated supplemental appropriation of $125,000 for increased travel costs separated by special activity limitations as follows: General activities, $81,000; railroad safety, $24,000; and locomotive inspection, $20,000.

[2] Includes an estimate of $175,000 and 15 positions for emergency transportation functions. Previously funds for this activity were appropriated to the Office of Civil and Defense Mobilization, now the Office of Emergency Planning.

In requesting the increase of $1 million, the Commission has been guided primarily by the following significant factors: (*a*) The anticipated increase in our formal casework involving motor carriers and railroads; (*b*) the critical need to handle more expeditiously the formal casework pending before the Commission and reduce the so-called "regulatory lag": (*c*) the urgent requirements to increase our enforcement and compliance programs; (*d*) the demands for developing current cost data; (*e*) the immediate and urgent need to provide timely research and adequate advisory assistance to the Commission in its decisional functions and in the formulation of policy and to provide economic counsel to assure adequate record for the protection of the public interest; (*f*) the necessity to meet our responsibility to provide adequate review and analysis of protested rate adjustments; (*g*) the requirement to properly discharge our responsibility for the mobilization of domestic surface transportation and storage; and (*h*) the increased costs which are uncontrollable.

The increase of $1 million is allocated to the following main categories:

1. Personal services and benefits ---------- $732,547
   For additional positions, within-grade salary advancements and cost of promotions.
2. Travel and transportation of persons ---------- 150,209
   For additional employees ($15,000), full-year cost of increased per diem ($35,209), to provide for increased level of travel which was curtailed in 1962 because of absorption of increased cost of per diem rates ($50,000), and for emergency transport activities ($50,000).
3. Equipment ---------- 52,278
   Office equipment for additional employees and purchase of automobiles.
4. Rent, communications, and utility services ---------- 24,600
   For rental of office space for additional employees and increased telephone costs.
5. Other services ---------- 22,400
   For service at computer centers for testing program routines in connection with ADP study ($15,000), cost of security checks ($3,500), and miscellaneous expenses ($3,900).
6. Office supplies and transportation of things ---------- 13,966
   For office supplies for additional employees.
7. Printing and reproduction ---------- 4,000
   For printing an increased number of Commission decisions and printing of manuals and emergency orders for energency transport activities.

BUDGET ESTIMATE AND HOUSE ACTION

Senator MAGNUSON. In 1962 the appropriations were $22,750,000. The budget estimate this year is $23,200,000. The House recommended $22,187,500, which is $112,000 over the 1962 appropriations but minus $1,012,500 from the budget estimate.

And you have a statement here which——

Mr. MURPHY. It has one attachment, Mr. Chairman.

Senator MAGNUSON. We will put it in the record in full, and you can take the items step by step if you wish. Well, why do you not just go ahead with your statement, and we will interrupt as we go along.

Mr. MURPHY. Very well.

Senator MAGNUSON. OK.

Mr. MURPHY. Mr. Chairman and members of the subcommittee, I appreciate the opportunity of appearing here today to discuss the Commission's budget needs for the fiscal year 1963. The independent offices appropriation bill as passed by the House includes $22,187,500 for the Commission, which amount represents a reduction of $1,012,500 the budget request of $23,200,000.

FISCAL YEAR 1963 REQUEST

The budget request for 1963 provides for an increase of $1,125,000 and for a total of 2,542 positions or 69 more than the 2,473 authorized for the 1962 fiscal year. The House bill not only eliminates all 69 additional positions requested but would require retrenchment below our present operating level. The House report states that the $22,187,500 would permit continuation of the 1962 operating level into 1963.

Senator MAGNUSON. Now, Mr. Chairman, this now all involves positions, does it not?

Mr. MURPHY. No, sir.

Senator MAGNUSON. Is it broken down a little bit?

Mr. SCHMID. It is broken down.

Senator MAGNUSON. Well, go ahead.

Mr. MURPHY. However, this cannot be accomplished because of increased costs in 1963 over 1962. An analysis of our presently authorized program indicates that in order to maintain the 1962 level the Commission would require an increase of approximately $500,000 over the 1962 appropriations.

SUPPLEMENTAL FUNDS FOR TRAVEL

Also, anticipating that the 1962 fiscal year would end without final congressional action on our request for supplemental funds for increased travel costs, we deferred planned purchases for printing, office suplies, and equipment in the amount of $100,000 for 1962.

This action means that we will have to purchase in fiscal year 1963, $100,000 worth of items that are not provided in the 1963 budget presently being considered by the Congress. Consequently, even if the Congress approves the full amount in the 1963 budget, the deferment of purchases in fiscal year 1962 will seriously affect our ability to provide all the services necessary in fiscal year 1963.

RESTORATION REQUESTED

We urgently request restoration of $837,500 and the 54 positions disallowed by the House. For reasons which I will discuss later, we have not included in this request the restoration of $175,000 and 15 positions for emergency transport activities which were eliminated by the House.

Senator MAGNUSON. Now, that is a separate item which we will go back to later.

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. And the item of your normal working problems is involved in the $837,500?

Mr. MURPHY. Yes, sir; that is correct.

Senator MAGNUSON. All right.

EFFECT OF REDUCTION

Mr. MURPHY. The effect of the reduction would seriously jeopardize the Commission's ability to (1) handle the anticipated increase in our formal case work involving motor carriers and railroads; (2) handle more expeditiously the formal case work pending before the Commission and reduce the so-called regulatory lag; (3) bolster our enforcement and compliance programs; (4) develop current cost data; (5) accelerate our research and analysis activities and to provide economic counsel to assure an adequate record for the protection of the public interest; and (6) meet our responsibility to provide adequate review and analysis of protested rate adjustments.

Senator MAGNUSON. Now, this is the usual; what I would call, run-of-the-mill activities which you have down there?

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. Which has been somewhat on the increase financially, in hearings and so on and so forth?

Mr. MURPHY. Yes, sir. They have been uniform, I believe, with very few, if any, exceptions.

Senator MAGNUSON. All right. You explain it in the next paragraph.

Mr. MURPHY. I would like to describe briefly some of the areas in which we believe that increased appropriations are necessary if the Commission is to efficiently carry out its assigned obligations and responsibilities.

PENDING CASELOAD

During the past year we continued our efforts to reduce the pending caseload and significant progress has been accomplished notwithstanding that receipts during fiscal year 1962 increased by 395 cases from 7,193 received during fiscal year 1961 to 7,588 received during fiscal year 1962 or by more than 5 percent.

As of June 30, 1962 there were 4,688 cases pending which, when compared with 5,002 cases pending as of June 30, 1961, reflects a reduction of 314 cases or 6.3 percent.

Senator MAGNUSON. So that there you have just about, by reorganizing and expediting the cases, you have just about expedited it and got it approximately the same number of cases that are coming in at an increase?

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. You are just——

Mr. MURPHY. Approximately that, yes sir.

Senator MAGNUSON. You are just about holding your own? Let's put it that way.

Mr. MURPHY. Yes.

PREVIOUS CONGRESSIONAL ACTION

Senator ELLENDER. In accomplishing that, did the Congress give you more money last year or did you use about the same?

Mr. MURPHY. Yes, sir, they gave us more money last year and, as the chairman mentioned——

Senator ELLENDER. How many more positions did you obtain last year?

Mr. SCHMID. Forty-five last year.

Senator ELLENDER. And you want 54 more?

Mr. SCHMID. That is correct. Yes, sir.

Mr. MURPHY. That is a total number of new positions.

Senator ELLENDER. That is in addition to the 45 though——

Mr. MURPHY. Yes, sir.

Senator ELLENDER. That last one?

Mr. MURPHY. This following a reduction of 8.1 percent during fiscal year 1961, results in an overall reduction of 14.4 percent in a 2-year period.

INCREASE IN FILING OF APPLICATIONS

However, our ability to handle current receipts and still reduce pending cases is now challenged. For example, shifts in areas of production, new shipping methods, changes in sources of supply, establishment of new plants, and the desire of motor carriers, water carriers, and freight forwarders to extend their operations and expand their services into new areas, have caused an increase in the filing of applications for operating rights.

Recently, due to the Commission's increased emphasis on "fitness" in motor carrier application cases and the increased efforts of it and regulated carriers to eliminate unlawful operations in the so-called gray area and other related transportation fields, the number of proceedings of this type has increased, with the Commission's Bureau of Inquiry and Compliance participating in many of them.

Most of these proceedings entail long and highly contested hearings, with many presenting extremely important and complex issues, and require lengthy hearings throughout the country and many more examiner workdays for processing to final determination than the ordinary application proceeding.

With increased pressure by Congress and other outside interests for increased Commission activity in this enforcement area, the need to divert available manpower to this area for long periods for the purpose of obtaining prompt decisions may be expected.

RAIL AND MOTOR CARRIER UNIFICATION APPLICATIONS

Rail and motor carrier unification applications represent a substantial volume of work. Although the number of motor carrier unification applications filed during fiscal year 1962 decreased slightly, the proceedings are being more strenuously opposed, resulting in more difficult and complex questions. The number of railroad merger cases, which require more man-days per case both for hearing and report writing than the normal motor carrier merger case, has increased significantly.

It is estimated that each of the six largest railroad merger cases now pending will require the work of one hearing examiner for more than 1 year. These are:

(1) Seaboard Air Line-Atlantic Coast Line merger;
(2) Chesapeake & Ohio control of the Baltimore & Ohio;
(3) Southern Pacific & Atchison, Topeka & Santa Fe control of Western Pacific;
(4) Great Northern-Northern Pacific-Burlington merger;
(5) Norfolk & Western-Wabash-New York, Chicago & St. Louis merger, lease; and
(6) Pennsylvania-New York Central merger. Other mergers are being studied by various railroads, and it is anticipated that more will be filed during 1963.

Enforcement and Compliance

The Commission's enforcement staff requires immediate bolstering. During the 1962 fiscal year, 1,474 investigations were instituted, which is an increase of 38 over the 1961 fiscal year. Another is the large number of complaints received that shipper associations allegedly are operating in violation of Commission regulations. During the past 6 years the number of court cases has increased by more than 100 percent without a commensurate increase in personnel.

For example, the number of court proceedings instituted, in which attorneys of the Bureau of Inquiry and Compliance are required to participate, increased from 780 in fiscal year 1961 to 934 in fiscal year 1962, which represents an increased workload of 19.7 percent.

Also, during the fiscal year 1962, the number of cases pending in court increased from 554 to 643 notwithstanding that in fiscal year 1962 we disposed of 845 proceedings as compared with 700 in fiscal year 1961.

Most of these proceedings require a substantial amount of the time of our attorneys because of the complexity of the issues involved. The 1963 budget provides funds for increasing our staff of attorneys and investigators to handle the increased workload and to reduce backlogs to a reasonably current level.

Cost Finding

In past budget requests we have expressed the need for increased appropriations to augment our staff engaged in cost-finding activities. During the past year the need for increased activity became more pronounced. While limited additions to our staff were made in this activity during 1962, it falls far short of our needs.

The continued effort of carriers to seek changes in rates and the installation of new and novel service features have increased the demand for more current and additional detailed cost data.

The different cost characteristics in the various areas make it important to increase the number of regional or territorial motor carrier cost studies from 10 to 13. Our program calls for as many of these studies as possible each year.

In addition, we prepare the rail carload cost scales and the rail burden study for all regions or districts in the United States each year. During the fiscal year 1962, three motor carrier cost studies and two rail studies, or a total of five cost studies were completed.

Also, it was contemplated that unit costs for all the motor carrier regions would be brought up to a current level and released to the public. This work, however, had to be set aside because of more pressing work.

PREPARATION OF COST STUDIES

Nine different cost studies are being prepared at this time. With the present level of personnel, these studies will be delayed because of case analyses and other cost information which must be kept current. Some of the motor carrier cost studies now being used were made in 1957.

Such costs must be brought to the current level, based on wage and price increases from special studies. Costs brought up to date in this manner provide an approximation of the current costs, but they give no effect to changes in operating practices which affect the costs for different weight shipments and lengths of haul.

Three of the cost studies now being made during the fiscal year 1963 are just getting underway. This reflects a delay of approximately 60 days.

To the extent analyses of cost evidence are not prepared promptly, it results in delay in the disposition of cases under consideration. The 1963 budget provides additional funds to make these improvements and to provide for the development of current transportation cost data for measuring competition in the transportation field.

ECONOMIC COUNSEL STAFF

Intensive studies of the Commission's practices, procedures, and organization were conducted by the Commission's Special Advisory Committee on Practices and Procedures, and by the management firm Booz, Allen & Hamilton, engaged by the Bureau of the Budget. These studies recommended a strengthening of our functions with respect to transport policy, analysis, and research activities.

PRESIDENT'S MESSAGE ON REGULATORY AGENCIES

Recently, the President's special message to the Congress on regulatory agencies stated:

> For these agencies are not merely regulatory; they are designed to further the expansion of certain facets of our economy, as well as the basic tenets that underlie our system of private enterprise. Delays in the disposition of agency business, and the failure to evolve, other than a slow case-by-case method, policies essential for our national growth seriously handicap their effectiveness in meeting this function.

In conjunction with this purpose, the Commission has recently given added emphasis and active attention to matters falling generally within the scope of transportation policy, analysis, and research activities.

There is an urgent need for immediate and substantial enlargement of our activities in the field of transportation research into basic problems and developments as they relate to the responsibilities of the Commission, and to provide economic counsel to appear in a selected or limited number of cases of major importance. The 1963 budget includes funds to augment our research staff and to establish an economic counsel staff.

PROTESTED RATE ADJUSTMENTS

Prompt handling of protests of proposed rate adjustments continues to be a serious problem. During the past fiscal year protested rate adjustments increased from 4,855 in 1961 to 5,170 in 1962 or by 6.5 percent.

Senator MAGNUSON. Now, right there, generally speaking as to the 54 positions, what would be the increase, percentagewise, in the personnel?

Mr. SCHMID. 2 percent.

Senator MAGNUSON. 2 percent? All right. Approximately or just generally speaking, that is?

Mr. MURPHY. Yes, sir.

It is estimated that the number of protested rate adjustments will approximate 5,200 during the 1963 fiscal year.

These protests must be handled expeditiously and decisions must be made on reports developed within a very limited time. Tariffs naming new or changed rates are required to be filed at least 30 days prior to their published effective date unless a shorter notice is authorized under special permission authority.

Protests and requests for suspension may be filed up to midnight of the 12th day prior to the effective date unless the 12th day falls on a Saturday, Sunday, or legal holiday in which event the protest may be filed by midnight of the next full workday.

TIME LIMITATIONS ON BOARD ACTION

The Board is required to vote on the adjustments not later than the third work-day prior to the published effective date. As an example, protests against tariff publications bearing an effective date of July 5, 1962, are timely filed if received by midnight, June 25, 1962, only six full workdays prior to the effective date.

The Board must vote on these adjustments not later than June 29, 1962. The report writer has as little as 4 workdays to delve into the matter and prepare his report. Almost without exception, he has on his desk three or four other cases, some for the same effective date.

Consequently, the statements of the parties and rates must be accepted at times without verification. Lack of time also precludes a thorough check of records for prior actions on the same or related issues that have been before us, and of decided cases of the Commission which should be considered.

Senator ELLENDER. Could you not change the date on the filings so as to give your people more time?

Mr. MURPHY. No, sir; the statute provides for a 30-day period.

Senator ELLENDER. So it can be 30 days before the end of the fiscal year?

Mr. MURPHY. Before the effective date?

Senator ELLENDER. Yes.

Mr. MURPHY. That is true. The statute provides that the Tariff publications must be filed on 30 days' notice.

There is a provision where, under certain conditions, the Commission can grant a lesser time for the filing and the rate becomes effective, but we have no authority to require them to publish it on more than 30 days.

TARIFF FILINGS

Senator MAGNUSON. How many rates were filed on the Commission then?

Mr. MURPHY. They run into the millions, Mr. Chairman. The number of tariff filings, I believe, is about 175,000, but the number of rates that are included in them——

Senator MAGNUSON. Would run much higher?

Mr. MURPHY. Yes, sir.

Thus, our actions and those of the Division, on appeal, are too often adversely affected by inadequate, inaccurate and faulty information. In some instances—even one is too many—we have found that a different conclusion would have been warranted if time had been available to permit a complete verification of all statements of the parties, including a complete check of the tariffs and consideration of prior actions and decisions of the Commission. The 1963 budget provides a modest increase for the Board of Suspension.

EMERGENCY TRANSPORT ACTIVITIES

The Commission, pursuant to delegation from the President and the Office of Emergency Planning, is responsible for the preparation of emergency preparedness programs for utilization of all segments of surface transportation and storage in the event of a national emergency.

The Commission's 1963 budget includes $175,000 and 15 positions to permit augmentation of programs begun in the 1962 fiscal year and devlopement of new programs as indicated in directives and orders assigning responsibility for certain emergency preparedness functions to the Commission.

The House Appropriations Committee has deleted this item and states that emergency transport activities should be financed as necessary from an allocation from the Office of Emergency Planning.

Accordingly, although we fully support the amount requested for civil defense and defense mobilization functions, in view of the House Appropriations Committee action and advice received from your staff the Commission is not requesting restoration of the $175,000 eliminated from the Commission's budget estimate.

OFFICE OF THE GENERAL COUNSEL

During the 1962 fiscal year the Office of the General Counsel has experienced a substantial increase in workload. This is reflected by the sharp increase in the number of court cases pending at the end of fiscal year 1962 as compared with the number of cases pending at the end of fiscal year 1961.

Cases pending at the end of fiscal year 1962 numbered 149 as compared to 93 cases pending at the end of fiscal year 1961. There were 139 cases instituted during fiscal year 1961, representing an increase of 59 cases or 73.5 percent. Formal legal opinions written for fiscal year 1962 numbered 273 as compared to 214 for fiscal year 1961.

It is anticipated that this trend will continue during fiscal year 1963, thereby increasing the pending caseload to serious proportions. It is imperative that additional attorneys be provided to meet this increased activity.

TOTAL ATTORNEYS

Senator ELLENDER. How many attorneys have you now?

Mr. MURPHY. Twelve.

Mr. SCHMID. We have about 12 and we are asking for 3 more.

Senator ELLENDER. Three or twelve?

Mr. MURPHY. We have 12.

Mr. SCHMID. That is in the General Counsel's office, now.
Senator ELLENDER. Oh, I meant altogether.
Mr. SCHMID. Oh, altogether?
Senator MAGNUSON. You mean people who are attorneys working, but——
Senator ELLENDER. As attorneys.
Senator MAGNUSON. Yes, as attorneys.
Mr. SCHMID. I would say probably in the neighborhood of 400.
Mr. RYAN. 369.
Senator MAGNUSON. 369?
Senator ELLENDER. How many more are you asking for outside of the Office of the General Counsel?
Mr. RYAN. Outside of the Office? We are asking for 12.
Senator MAGNUSON. Go ahead.

AUTOMATIC DATA PROCESSING STUDY

Mr. MURPHY. The 1963 budget provides for increasing the staff engaged in conducting intensive studies to determine the advisability of extending automatic data processing techniques to those activities and operations where such techniques can be applied most advantageously.

OBJECTS OTHER THAN PERSONAL SERVICES AND BENEFITS

Of the increases requested for 1963, approximately 34 percent are for objects other than personal services and benefits. I would like to mention several of these items which are significant in amounts.

The 1963 budget exclusive of funds relating to emergency transport activities includes a request for an increase of $225,209 for travel expenses which is related primarily to the requested increase in personnel, the full year cost of increased per diem rates and to provide for an increased level of travel which was curtailed in 1962 because of the absorption of the increased cost of per diem.

In the performance of its responsibilities the Commisson depends on the adequacy of travel funds. In order for the Commission to handle its hearings, investigations, and inspections effectively, it is necessary that sufficient travel funds be provided.

INCREASES IN OTHER ITEMS

Increases in other items, exclusive of funds relating to emergency transport activities, are in proportion to increases requested for additional employees and to provide for the increased cost of materials and services; namely, $49,278 for office equipment and purchase of additional automobiles; $23,600 for rental of office space for additional employees and increased telephone costs; $15,000 for service at computer centers for testing program routines in connection with our ADP study and miscellaneous expenses; $11,966 for office supplies, movement of household goods of transferred employees, and printing.

COMMISSION REORGANIZATION

During the past year or so the Commission has taken a number of major steps to improve its organization and procedures. We are convinced that the changes made will lead to improvements in the work

of the Commission in terms of quality and expedited actions. We are faced, however, with increasing workloads. These increases in workloads, plus new programs assigned to the Commission by the Congress, serve to increase our duties. I have here a rather detailed statement which sets forth the numerous changes effected in our organization and procedures which, with your permission, I would like to offer for the record.

We are convinced that the amount requested in this budget is essential for the Commission to carry out its congressional mandates.

We earnestly invite favorable consideration of our budget request for 1963.

TRANSFER OF ACTIVITIES TO FIELD

Senator MAGNUSON. The Commission has gradually been shifting to the field offices as much economy and responsibility as you can under the law.

Is that not right?

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. How many attorneys are out in the field permanently, in your field offices?

Mr. MURPHY. We have one hearing examiner stationed at the San Francisco office.

Mr. SCHMID. Approximately 20 attorneys who handle our enforcement work, motor carrier enforcement work.

Senator MAGNUSON. Well, what I am trying to get at is how many of these people must base in Washington, D.C.?

Cannot some of them base in your regional offices and do the work right there and eliminate the travel part of it?

Mr. MURPHY. That would involve the decentralization of the hearing examiners, Mr. Chairman, and we studied this matter last year, and I think for the several past years, and it has been the opinion of the Commission on those studies, and from experience, that the present system is preferable, and the Commission is able to perform its duties better with them centralized in Washington, and traveling out, for a number of reasons.

One reason is that the hearing examiner can keep current on what is going on, and utilize our available facilities. Moreover, if you decentralize to the various regional offices you would still have a great deal of travel from those, because you would still have to cover the area served by such office.

Senator MAGNUSON. In other words, after they got through, say, a hearing, they would have to come back here, anyway, with all of their information?

Mr. MURPHY. Yes, sir.

TRAVEL ASPECT

Senator MAGNUSON. So it would be Tweedledum and Tweedledee. They would have to make their trips sooner or later?

Mr. MURPHY. We feel, and correct this if I am wrong, but as I recall, our figures showed that there would be very little difference in the cost so far as traveling is concerned, because we are required under the law to assign the cases for hearing at the most convenient places, to satisfy the public's demand. Even if you decentralize to regional areas, the demand by the public, and by a number of wit-

nesses, would be to have the hearing in some other town than where the regional office is located.

Senator MAGNUSON. Yes. Well, go ahead.

INVESTIGATION OF BUS ACCIDENT IN COLORADO

Senator ALLOTT. While we are talking about that, Mr. Chairman, I do not know whether it was ever called to your attention or not, but do you recall the bus accident on December 14, 1961, in which 20 children were killed——

Mr. MURPHY. Yes, sir.

Senator ALLOTT. And 14 others were seriously injured; and this was in Colorado?

Mr. MURPHY. Yes, sir.

Senator ALLOTT. Your Commission was undertaking or was supposed to undertake an investigation into this accident.

I have a letter from the man who was the driver of the bus.

I would say this is a pathetic letter in a way because this gentleman realizes the extent of his own responsibility, and he may never erase this from his mind.

But there seems to be a feeling in this area that a lot of this was due to the dangerousness of the crossings.

You, at that time, were carrying on investigative research of crossing hazards. Now, I would like to know what was the result of your investigation into this matter?

The bus was sliced in two by a train.

REPORT ON INVESTIGATION ISSUED

Mr. MURPHY. Yes, I recall. The report has been issued with respect to that particular accident.

Now, the investigation that was under way at that time, and is still in the process of being completed, involved grade crossings throughout the United States.

I believe the hearings on that have been completed and it began primarily as a result of the number of accidents that had occurred involving flammable goods and, from that it has become a general investigation of the entire grade-crossing problem.

Senaor ALLOTT. Well, did you have any findings with respect to your investigation on this particular case?

Mr. MURPHY. Yes, sir. I thought we sent your office a copy of that, Senator.

Senator ALLOTT. Well, I do not have it.

Mr. MURPHY. Well, I will see that you will have one by this afternoon.

Senator ALLOTT. All right, sir. Then let me ask you this question: What progress are you making in this field? This was a great tragedy for these people. One family, I think, lost three children in this accident and two or three families lost two children.

Mr. MURPHY. Well, Senator, we are doing everything within our power, with the resources that we have available, to eliminate such accidents to the extent that we can.

QUESTION OF JURISDICTION

A great many of the accidents that occur are of intrastate nature, over which we have no control.

Senator ALLOTT. Well, this was interstate. It involved one of the interstate railroads.

So it is clearly under your jurisdiction.

Mr. MURPHY. Well, I was speaking from the point that there are quite a few trucklines and tank carriers that have been involved in accidents and those moves were intrastate in nature.

And there is quite a question as to the requirements of them to come to a stop at a crossing. It is a matter of State enforcement.

I might say that I personally have been in on other efforts that we are making to correct the situation as nearly as we can.

In fact, I have discussed the matter with Secretary Hodges, in connection with his highway committee and safety program, and I would like to give the exact name of this organization in the Department of Commerce that is working to urge and plead with the State authorities to give strict enforcement to their local laws, requiring vehicles to come to a complete stop or observe signals at such crossings.

It relates not only to those crossings but to the travel at excessive speed that we know is going on. However, that is a matter for the State to police and enforce, which we cannot take any action on.

Senator ALLOTT. Your answer then, in substance, is that there is nothing that you can do?

EFFORTS OF COMMISSION

Mr. MURPHY. No, sir, I did not mean that.

We are doing all we can, and I think perhaps that our current investigation will lead to some improvements in this area.

Senator ALLOTT. Do you not have the power to prescribe and enforce warning signals for grade crossings involving interstate commerce?

Mr. MURPHY. Not requirements—no, sir.

Senator MAGNUSON. That is usually under State law. The States have different laws, but the Commission, Mr. Chairman, has participated in the past several meetings with State officials in an effort to get some uniformity in this question of safety and——

Senator ALLOTT. And standard devices at crossings?

Senator MAGNUSON. And standard devices at crossings.

Whether we have made any progress on that, I do not know, but the Commission has always been willing to sit down and to help the States have some uniform safety measures on crossings.

But I do not know whether we ever got any place with it.

Mr. MURPHY. Well, Mr. Chairman, that is the explanation that I was trying to make to the Senator.

We take the opportunity, on every occasion that presents itself, to have our safety and technical men attend and participate in the activities of a State or a group of States regarding these matters.

LACK OF UNIFORMITY IN SIGNALING SYSTEMS

Senator MAGNUSON. Well, you see, the way people travel today across the lines it gets pretty confusing.

They are driving in one State and they get used to one flashing system on a railroad crossing, and then they get into another State and there is something different.

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. And if it is something less then they do not notice it, and this is how a lot of these things happen.

Whereas, if there should be some uniformity throughout these United States, paritcularly on railroad crossings, they would have an automatic reaction wherever they were driving.

Mr. MURPHY. There has been quite a bit of consideration given to that, trying to get it uniform, but we attend meetings and we have, based on our exprience, given suggestions and made recommendations, but that is the extent to which we can participate.

WORK WITH DEPARTMENT OF COMMERCE

And, as I previously mentioned, we are working with the Department of Commerce now on that, and I want to furnish the proper name of the Board for the record. I have asked the Secretary if he would not, on his next agenda, list the matter of urging the States to give stricter enforcement to their grade crossings and highway speeds. The proper name is the Interdepartmental Highway Safety Board.

It is a matter of policing that the State controls not the Commission. We can only suggest and recommend.

Senator MAGNUSON. But on truck safety we have made some success or have had some success over the years in helping and urging the uniformity of safety regulations?

Mr. MURPHY. Yes, sir, definitely.

Senator MAGNUSON. That is on trucks. We have made some progress on that.

Mr. MURPHY. Mr. Chairman, may the record show also in connection with this grade crossing investigation that we did have a commissioner for each of three States sit in with our people; the States so represented were Massachusetts, Minnesota, and Virginia.

Senator ALLOTT. That is all I have right now.

Senator MAGNUSON. All right.

EMERGENCY TRANSPORT ACTIVITIES

The next item on 14 is involving this emergency transport activities, and we will put that in the record, and I think you can put the Commission reorganization in the record.

(For statement on "Emergency transportation activities," see p. 89.)

(The Commission reorganization referred to follows:)

COMMISSION REORGANIZATION

Various continuing studies of the Commission's organization, procedures, and management which have been underway at the Commission came to a focus as 1960 ended. After considered evaluation we began a series of organizational and procedural changes in the first days of 1961 designed to expedite and improve the quality of decisions. The changes, additionally, were designed to increase the level of direct participation and assumption of responsibility by

Commissioners with respect to the more important matters coming before us, and to weld the Commission into the coordinated and efficient instrument that is required in order to cope with the growing list of new problems of the dynamic industry it regulates.

The basic factor which has required the changes is the substantial expansion of the volume of work of the Commission in several areas. The continuing economic growth of the Nation, the new regulatory duties assigned to us by amendments to the acts which we administer, and the increasing competition among carriers all have contributed to create an immense workload.

The effect of this increase in volume can best be appreciated by a review of the assignments of Commissioners prior to the current reorganization. Except for the Chairman, each member served on at least 1 of the 4 divisions which, on division 1, for example, would involve the consideration in any given year of more than 1,000 formal proceedings. Additionally, each member participated in the disposition of the appeals taken from division decisions which would normally involve consideration at Commission level of more than one-third of all the proceedings handled by the four divisions. Superimposed on this formal proceeding workload, action was required to be taken on any number of procedural and informal matters as well as the variety of administrative duties arising from a member's position as reporting Commissioner for one of the bureaus of the Commission.

Coupled with the expansion in the workload of the Commission, there has been an increasing accent upon the basic, long-range problems of transportation which have been studied and discussed at length, and for which solutions must be found if this country is to have an efficient, adequate and financially sound transport system in the years ahead. Among others, they include the growth of private carrier and "gray area" competition with the regulated carriers; the railroads' heavy losses from passenger and particularly commuter business; and the evaluation of the growing list of proposed railroad mergers now coming before the Commission.

Various changes in the manner in which we conducted our affairs seemed desirable. This, of course, was recognized not only within the Commission, but by others as well, for in making the changes we have had the benefit not only of our own continuing review of organization and procedure, but also the benefit of many studies and proposals, some solicited and some entirely voluntary, recommending a myriad of proposals. It is doubtful that any area of Government has ever received the scrutiny that has been the lot of the regulatory agencies in the last several years. These studies have merited and received our close attention.

In November 1959, we asked a selected group of practitioners, each of whom had several years of experience in practice before us, to serve on a special advisory committee to study the Commission's organization and procedures, and submit recommendations. In April 1960, the firm of Booz, Allen & Hamilton, of Chicago, under a contract with the Bureau of the Budget, began a management study of the Commission's organization.

Both groups submitted recommendations in November 1960, and each Commissioner promptly began an intensive study of their findings, along with proposals made as a result of other studies. The latter included the recommendations of James M. Landis, special assistant to the President, of the staff study directed by Gen. John P. Doyle for the Senate Commerce Committee, of the Legislative Oversight Subcommittee of the House Interstate and Foreign Commerce Committee, and of the Commerce Department.

We also established a special staff committee, which included the Commission's Managing Director, Secretary, General Counsel, and the head of the bureau or bureaus concerned with each of the different recommendations. These staff experts made a careful analysis of several of the proposals and gave us their views.

We then made several organizational and procedural changes, beginning early in 1961, which, stated briefly:

1. Strengthened the role of the Chairman.
2. Created the new Office of Vice Chairman.
3. Reduced the number of divisions from four to three.
4. Eliminated the "reporting Commissioner" concept, relieving seven Commissioners of certain administrative responsibilities.
5. Directed the seven regulatory bureaus to report to the Chairman through the Vice Chairman.

6. Delegated authority to the Vice Chairman to institute formal docket investigations arising out of the work of the seven regulatory bureaus.

7. Adopted a procedure for assigning responsibility for important cases to individual Commissioners.

8. Limited the right of appeal to the entire Commission.

9. Established 12 new employee boards to act for the Commission in nonadversary proceedings.

10. Delegated greater authority to staff members.

11. Established three employee boards to act for the Commission generally in proceedings involving action on exceptions to a recommended report of a hearing examiner. The Chairman of the appropriate division of the Commission will specify the cases to be acted on by the boards.

12. Realinement of the field office structure for three bureaus aimed at promoting greater efficiency and economy.

Stated thus briefly, these 12 points only suggest the broad scope of the changes and the far-reaching effects they are expected to have in the months and years ahead. All of them are part of a pattern to clarify and strengthen the lines of administrative direction and control of the many and varied functions of the Commission. To this end, we moved to strengthen the Chairman's position and created the post of Vice Chairman. Both are elected by the Commission for one calendar-year term. Both are relieved of all division assignments so they may devote more time to administrative matters.

The role of the Chairman as the principal executive officer of the Commission has been strongly emphasized. He will continue to act as correspondent and spokesman for the Commission in all matters that require an official expression of the Commission. He also is assigned general responsibility for the overall management and functioning of the Commission, including the formulation of plans and policies to increase its effectiveness, and the development and improvement of the staff support necessary to carry out its duties and functions. In order that he may be able to discharge this responsibility, the Chairman has been delegated the functions of the Commission with respect to (1) the appointment and supervision of personnel employed under the Commission, except those in the immediate Offices of Commissioners other than the Chairman, (2) the distribution of business among such personnel, and among administrative units of the Commission, and (3) the use and expenditure of funds.

Specific responsibility for correcting or preventing avoidable delays in any of our work also rests with the Chairman. To support him in this task, we have, among other things, created the post of Vice Chairman, who works closely with the Chairman at all times and serves as Acting Chairman in his absence.

The proceedings work then was assigned to the other nine Commissioners in three divisions, instead of the previous four, with three members each. Each of the three proceedings bureaus reports to the Chairman of the Commission through the Chairman of the Division responsible for its work. The Secretary and General Counsel continue to report direct to the Chairman.

The Managing Director and the seventh regulatory bureaus are linked directly to the Chairman by the single reporting channel represented by the Vice Chairman. They formerly had reported to the the Commission through a Commissioner. Elimination of the "reporting Commissioner" concept also serves to free seven Commissioners from the administrative problems of the regulatory bureaus, giving them more time for the disposion of proceedings work.

Numerous specific duties were assigned directly to Vice Chairman. They include authority to permit departures from the uniform accounting rules; approve publication of statistical releases; prescribe rates of depreciation; allow destruction of carrier records; grant exemptions to individual carriers from reporting and accounting requirements; approve research projects; and handle matters relating to admission, disbarment, and suspension of practitioners. The Vice Chairman also was delegated authority to institute investigations on the Commission's own in most cases arising out of the work of the seven regulatory bureaus of the Commission.

One of the most significant aspects of these administrative changes is their complete departure from the reporting commissioner system we followed for so many years. Studies of the Commission have almost universally recommended a complete separation of adjudicatory functions from the executive or administrative work. The reporting commissioner concept, under which each staff director of a bureau was responsible directly to one Commissioner who,

in turn, reported to the Commission, was the principal barrier to such a separation. The reporting commissioner practice became vulnerable as a serious infringement upon the efforts of Commissioners in furtherance of their primary task of adjudication. Therefore, we believed the new arrangement would facilitate the exchange of information developed by the regulatory bureaus, provide for greater coordination of their efforts, and, in general, result in increased efficiency throughout this phase of the Commission's operations.

At the same time, the step made more feasible the move to assign opinion-writing responsibility to individual Commissioners. The cases in question are among those submitted to a division or the entire Commission for initial decision. Generally they are those cases in which exceptions are filed to hearing examiners' reports and recommended orders in orally heard proceedings. In such cases, which then require division or Commission action, the proceedings bureaus—Finance, Operating Rights, and Rates and Practices—assign report-writing responsibility to the dockets of individual Commissioners, on a rotation basis. Entire Commission or division cases which have been orally argued or which are reopened for reconsideration are assigned to individual Commissioners by the Chairman of the Commission or of the appropriate division.

It was recognized, however, that further relief for the Commissioners was needed to give them adequate time for the opinion-writing responsibility thus placed upon them. Much of the answer was found in a limitation on the right of appeal to the entire Commission, and in greater delegations of authority to staff members and employee boards.

The right to apply to the entire Commission for rehearing, reargument, or reconsideration of a decision, order, or requirement of a division was limited to those proceedings in which prior to, or at the time of issuance of a division's decision, the entire Commission, on its own motion, determines and announces that an issue of general transportation importance is involved.

In proceedings in which no such announcement has been made, but in which a division reverses, changes, or modifies a prior decision by a hearing officer or where the initial decision is made by a division, a petition to the same division for rehearing, reargument, or reconsideration of its decision will be received and will be considered and disposed of by such division in an appellate capacity and with administrative finality.

The action was expected to effect a reduction of 700 a year in the number of petitions to be considered by the entire Commission. It has been challenged however, in the U.S. District Court for the Eastern District of Pennsylvania. The full benefit of the anticipated reduction may have to await the conclusion of this litigation.

Delegations to the staff included principally the creation of 12 new employee boards, in addition to the 4 already in operation. The new ones are three finance boards, three motor carrier boards, two safety and service boards, a released rates board, a special permission board, and two operating rights boards. Matters assigned to these boards are those which do not involve taking of testimony at a public hearing or submission of evidence by opposing parties in the form of affidavits. Decisions of the boards may be appealed to the appropriate division and the division's decision then is administratively final and not subject to review by the Commission.

The four employee boards established previously are the Suspension Board, Fourth Section Board, Temporary Authorities Board, and Transfer Board. Altogether the 16 boards are handling a substantial number of matters, many of which formerly required action by an individual Commissioner or a division.

Authority to make additional delegations to three-man employee boards was sought by our recommendation that section 17 of the act be amended to permit such boards to make decisions in cases in which a hearing has been held and which do not involve issues of general transportation importance, with the right of appeal to an appellate division whose decision would be administratively final. Such amendment was enacted and three employee boards were established effective November 23, 1961.

In addition we delegated authority to the Director of the Bureau of Inquiry and Compliance to institute civil injunction proceedings in the name of the Commission in all cases where it has such authority under the Interstate Commerce Act. He also may make his own recommendations direct to the U.S. Attorney General for institution of civil injunction proceedings in any case where such authority is reserved to the Attorney General by the same act.

Earlier, we had delegated authority to the Director of the Bureau of Safety and Service to transmit evidence directly to U.S. attorneys or the Department of Justice and request action for enforcement of the statutory provisions related to railroad safety, except the Locomotive Inspection Act.

Effective July 1, 1962, the field operations of three bureaus of the Commission were reorganized to improve central direction and coordination of activities in the field. The present three geographic areas of the Bureau of Accounts were rearranged into six districts each under the jurisdiction of a district supervisor. This improved geographical division will provide district supervisors with more opportunity for overall supervision of the field staff of the Bureau by a greater degree of personal contact and technical on-the-job supervision.

The Bureau of Safety and Service field operations were reorganized by the division of the country into eight districts each headed by a district director instead of the formerly nine geographical zones, subdivided into inspection areas or work districts under the direction of 30 zone supervisors. The district director is responsible for the supervision of the field staff of the bureau in the administration and enforcement of the laws, rules, and regulations administered by the Bureau.

The Bureau of Inquiry and Compliance simultaneously rearranged the territories of its special agents to coincide with the newly created districts of the Bureau of Safety and Service.

Some other changes of a relatively minor nature were made but these 12 represented the first major steps in a continuing program to achieve the best possible management of our affairs, the earliest disposition of cases consistent with the rights of the parties, and the most efficient and equitable procedures. Studies still are being made, both within and outside the Commission, which are expected to lead to further improvements. Some of the recommendations before us, however, must await legislative action because they cannot be accomplished under present law.

Reorganization of Commission

Senator Magnuson. The committee will notice that the Commission has, beginning on page 4, made several changes in the organization of the Commission. They are listed there and numbered. There are approximately 12 of them.

And I think that we will show a little more efficiency, or the Commission will, when this all gets working and it will serve the public better.

So we will put all of that in the record, where you have delegated authority where you can, and so forth.

We passed several bills over the past few years amending the act, at the request of the Commission, to give them the authority to do some of the things that they are now doing in the reorganization.

And it has been a difficult task because of the increase in the workload over the years. Transportation in the United States is a big business, and it involves about one-fourth of today's gross national product; that is, transportation and its allied activities, and we have a Commission here that is involved in a great portion of that, a great portion of our economy, and if they give the public efficient service it just means so much more to the economy.

So without them wasting any funds I still think that they always should have enough to handle the responsibility we have given them.

This is growing and growing, just as you all know, and the problems, the complicated problems, in transportation seem to be getting more complicated with all the rates that are filed, and it is becoming a real responsibility, a real responsible job.

I do not like to see them have more people than they need, but it is penny wise and pound foolish not to have enough people to do the job for this, as it affects our economy.

A long delayed case in the Interstate Commerce Commission can affect the area and the economy. So I think the reorganization will start to show some results.

RESULTS OF REORGANIZATION

Mr. MURPHY. Mr. Chairman, if I may supplement the prepared statement on the reorganization, and particularly with reference to the change in section 17 which you, yourself, had quite a bit to do with, in the establishment of these additional boards within the Commission to consider heard cases, we are beginning to see results from that, and I think after a reasonable time in operation, they will produce substantial results.

And if I may go one step further. In connection with your bill, S. 2560, we brought to your attention places where we could conserve manpower or put them to a better utilization, in the program dealing with "gray area" or illegal operations, in which we are trying to bring such operations more under control and are attempting to handle cases in this area more expeditiously.

There are any number of features in that bill which will provide for greater efficiency, and very much improved enforcement programs. The public will benefit substantially from the provisions of this bill with which you are familiar.

Senator MAGNUSON. Now, let's go back to the railroad mergers.

Senator ELLENDER. Mr. Chairman?

Senator MAGNUSON. Excuse me.

Senator ELLENDER. Is that bill to which you referred, Mr. Murphy, pending in Congress now?

Mr. MURPHY. It has passed the Senate and is in the House at the present time. Yes, sir.

Senator ELLENDER. So that you need that in order to permit you to further reorganize the Commission.

Is that right?

REDUCTION IN UNNECESSARY REQUIREMENTS AND EXTENDED PROCEDURES

Mr. MURPHY. It is not so much the reorganization as it is the cutting down of what we consider to be unnecessary requirements and long-drawn-out procedures involved in preparing and prosecuting many of the cases, in which we are attempting to halt illegal operations, that is gray area operations, and placing substantial monetary penalties against these operators. Today the trucker who wants to operate illegally figures the chances are slim that he will ever get caught and also believes that if he does get caught he will only receive a minimum fine of several hundred dollars. So why not go ahead and run that risk.

Another feature of this proposed legislation is that where we can get into court it would permit the Commission to go to court quickly under the forfeiture procedure, and get some quick action.

Senator ELLENDER. All of that is included in this bill?

Mr. MURPHY. Yes, sir. It is a very broad bill and has features which I think, if they are enacted, will allow us to show you very substantial improvements over what we are doing today.

We are doing a good job with what we have now, but I think our performance will be much better.

DECLINE IN COMMON CARRIER TONNAGE

Senator MAGNUSON. What has happened to the transportation thing is that approximately in the United States, this country is peculiarly not only dependent but, by its very nature, requires all of these flexible matters that you talk about.

But approximately about one-third of the tonnage runs by agricultural exemptions and approximately another third by private carriers, and about another third with common carriers.

It is divided just about that way, and what has been happening is that the common carriers, in their total tonnage, have been declining at the rate of about 2 percent a year in tonnage——

Mr. MURPHY. Yes, sir.

Senator MAGNUSON (continuing). On all of them, railroads, trucks, and everything.

I think everyone would agree that we should have a strong common carrier system. It is the reliable system and is the guts of our transportation policy domestically.

But the private carriers have been moving in a great deal and no one objects to a person holding his own goods, but what has happened, when we talking about the gray areas, is that they will, what we call trip lease.

The firm in Denver will buy a fleet of six trucks to haul to Chicago, and if he does not have a backlog he will lease them to a fellow in Chicago.

AGRICULTURAL EXEMPTIONS

Then on the agricultural exemption thing no one disagrees there either with a farmer or cooperative hauling their goods to market, but there we have what we call gypsies. They will haul citrus from Florida to Philadelphia, and then pick up machinery to go to St. Louis, and then haul shoes to Texas and, finally, a year later the truck comes back into Florida.

A lot of this has been eliminated, would you not say, in agricultural exemptions?

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. But we still have the private carriers, and this is what he is talking about in the gray area, because unless we have a strong common carrier in this country, why, our transportation system is just a jungle.

CONTROVERSIES BETWEEN COMMON AND PRIVATE CARRIERS

And then, of course, the problems we get and that the Commission get are the controversies between the common carriers and the private carriers in their fights for this highly competitive one-third tonnage. This is the railroad-truck fight. This is the inland waterways and the railroads. Whereas, if this common carrier carried 50 percent of our tonnage we would not have too much of a problem.

And so we are talking about 15, 16, 17 percent and this is the Commission's responsibility and, of course, the Congress, too, and it poses two real complicated difficult problems, and this is a result of all of the filings and the rates and everything else.

And then you have the new technological problems and all of that, and common carriers, to coin a phrase, have a common problem.

And if you had a strong common carrier system there will be less people wanting privately to haul their own goods, because this is the more reliable. This is the better service and has the better equipment, and the know-how to handle it.

But all three are growing as the country grows.

Mr. MURPHY. Mr. Chairman, if I may add to what you have said: It was either you or Senator Smathers who used a term which I would like to use.

What we have today, until we get some relief to help expedite the plan, is a situation which provides a breeding ground for illegal operations.

Senator MAGNUSON. Yes. All right.

TOTAL COMMISSION EMPLOYEES

Senator ALLOTT. What is the total number of employees in the Interstate Commerce Commission?

Mr. MURPHY. We are requesting 2,527 positions for 1963.

Senator ALLOTT. 2,587? Is that the total?

Mr. SCHMID. We now have 2,473 positions.

Mr. MURPHY. 2,473.

Senator ALLOTT. That was at the end of 1962?

Mr. MURPHY. Yes, sir.

Senator ALLOTT. And you want 2,527?

Mr. MURPHY. Yes, sir, that is eliminating the 15 that was included with the 69 at the first——

Senator ALLOTT. You have an increase or had an increase from 2,428, in 1961, to something last year?

Mr. MURPHY. Yes, sir.

Mr. SCHMID. I think it should be pointed out that the figure included in the House bill, with that figure, without any additional money, we will have to reduce employment of about 30 or 40 positions.

Senator MAGNUSON. Why?

Mr. SCHMID. Well, the reason is that the House report indicated that with the amount of money allotted us, which included a little better than $100,000 increase, it would enable us to operate this year at the same level as last year, but where they allotted us $100,000 increase we need roughly $500,000 to maintain it at last year's level, and they did not consider the ordinary promotions under civil service regulations.

In other words, we need a half a million to continue these 2,473 people, or thereabouts, and with our present House figure we would have to reduce that between 30 and 40 positions.

Senator ELLENDER. And you cannot prevent that?

Mr. SCHMID. No, sir, we cannot.

Senator ELLENDER. You have got to give promotions?

SUBSTANTIAL INCREASES IN RECEIPTS AND COURT CASES

Mr. SCHMID. That is right. And the House pointed out that there has been no new legislation, and that is true but, as the chairman has already pointed out, we have had very substantial increases again over the previous years in terms of receipts.

The General Counsel's Office alone has increased 50 percent in the number of court cases that we had over the year before. So we have an increased workload, and as I say, we would have to reduce the total number of positions under the House figure.

STATUS ON MERGERS

Senator MAGNUSON. Let's go back to page 5 on mergers.

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. What is the status within the Commission of these particular mergers?

Let's take them one at a time.

Mr. MURPHY. May I get Director Baker here?

Senator MAGNUSON. All right. Director Baker. I am talking about the status in the sense of time.

Mr. MURPHY. This is Director Baker, Mr. Chairman.

SEABOARD AIRLINE-ATLANTIC COAST LINE

Senator MAGNUSON. No. 1, the Seaboard Airline-Atlantic Coast Line?

Mr. BAKER. Hearings have been completed on that. It has been in the hands of the hearing examiner for the preparation of his report and recommended order for some months.

I anticipate that his report will be served within the next week.

Senator MAGNUSON. And that report then goes to the Commission?

Mr. BAKER. The parties who may be dissatisfied with the report may file exceptions within 30 days.

Senator MAGNUSON. And then what happens?

Mr. BAKER. And then other parties can reply. They have 20 days.

And then the Commission may have oral argument, or they may see fit to decide it without oral argument.

In any event, it is submitted then to a division of the Commission or, perhaps, the entire Commission would take it up.

Senator MAGNUSON. Would you say that No. 1 is the farthest along of the applications for mergers?

Mr. BAKER. Of the major applications.

C. & O.-B. & O. MERGER APPLICATION

Senator MAGNUSON. Yes. Now, what is the status of the Chesapeake & Ohio and the B. & O.?

Mr. BAKER. In that case hearings were completed and the Hearing Examiner has served his report and recommended order, which recommends approval of the application of the C. & O. to acquire control of the B. & O.

Exceptions have been filed to that report by certain parties and replies have also been filed.

The question now is before the Commission as to whether it will hear oral argument in the matter.

Senator ELLENDER. What people are opposing this?

Mr. BAKER. The State of New York, the New York Port Authority and labor organizations are the primary opponents in that case.

SOUTHERN PACIFIC-ATCHISON, TOPEKA & SANTA FE

Senator MAGNUSON. Now, the Southern Pacific and the Atchison, Topeka & Santa Fe's control of the Western Pacific is involved?

Mr. BAKER. Yes, sir. There are competitive applications by those railroads.

Hearings have been completed, briefs have been filed, and the matter is now in the hands of the hearing examiner for preparation of his report.

GREAT NORTHERN, NORTHERN PACIFIC & BURLINGTON

Senator MAGNUSON. Great Northern-Northern Pacific & Burlington?

Mr. BAKER. Those hearings were just completed in July. There were about 81 days of hearings, I might say——

Senator MAGNUSON. Yes, up and down the line?

Mr. BAKER. In about 15 or 16 different cities, and there were around 20,000 pages of transcript.

Senator MAGNUSON. So that is in the hands of the examiner. Now, to——

Mr. BAKER. Well, he has fixed a brief date. The parties have until January 4.

Senator MAGNUSON. To file further briefs?

Mr. BAKER. That is right.

NORFOLK & WESTERN, WABASH, NEW YORK, CHICAGO & ST. LOUIS

Senator MAGNUSON. Norfolk & Western-Wabash-New York, Chicago & St. Louis merger?

Mr. BAKER. The hearings were concluded in that case. The briefs were filed in July, just last month.

Now that is in the hands of the hearing examiner for preparation of his report.

We do have a petition filed in that case recently by another railroad to intervene and to be included as a party in the merger.

That is pending before the Commission.

PENNSYLVANIA-NEW YORK CENTRAL

Senator MAGNUSON. And then the Pennsylvania-New York Central. Are these chronologically named here as they were filed?

Mr. BAKER. Chronologically, Coastline would be first, the B. & O. next, the Great Northern would have been the next one, and then the Norfolk & Western that I have just told you about.

Senator MAGNUSON. Now, the Pennsylvania and New York Central?

Mr. BAKER. Hearings are assigned to begin next Monday.

Senator MAGNUSON. There are going to be a series of hearings on this one.

Has the Commission decided on it, such as in the Great Northern and N.P.?

Mr. BAKER. No other hearing dates are set, but it has been decided that this initial hearing will be devoted entirely to the applicants putting on their case-in-chief, and then there will be an adjournment for the other parties before they have to put on theirs.

OTHER RAILROADS MAKING STUDIES

Senator MAGNUSON. And there are other railroad making studies of possible mergers which you will probably get filings on?

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. These big cases?

Mr. BAKER. Yes, every one that you mentioned, and there are others that you have not mentioned.

Senator MAGNUSON. Yes, there are some others. How many have you granted since the 1958 act?

Mr. BAKER. Since the 1958 act?

Senator MAGNUSON. Well, I mean since we gave you the authority. This started the epidemic.

Mr. BAKER. Well, we consider that the epidemic started, in a small way, in 1957. I have listed here about 12 cases.

Some of those are not of a substantial size. I could mention some of the larger ones, if you like.

Senator MAGNUSON. Well, we will put those in the record then so we will have them. I mean, just the information.

Mr. BAKER. This list is a list of cases in which major railroad unifications have been approved.

Senator MAGNUSON. So it looks as though, on many of these cases, with normal procedures, that there probably could not be any formal decisions on any one of them until after the first of the year.

Would that be a fair statement?

Mr. BAKER. Yes, sir.

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. Or even later?

Mr. BAKER. Yes, of those that you mentioned.

Senator MAGNUSON. Yes, or even later. I would think the Pennsylvania-New York Central would take a long, long time because it is so big and there are so many facets to it.

(The list of major railroads referred to follows:)

Major railroad unifications approved by the I.C.C., 1957–62

Date	Railroads involved	Nature of transaction
Mar. 1, 1957	Louisville & Nashville R. Co., and Nashville, Chattanooga & St. Louis R. Co.	Merger of N.C. & St. L. into L. & N.
May 31, 1957	Atchison, Topeka & Santa Fe Ry. Co., Pennsylvania R. Co., and Toledo, Peoria & Western R. Co.	Acquisition by A.T. & S.F. and Pennsylvania Co. (subsidiary of Penn. R.) of control of T.P. & W.
Dec. 27, 1957	Chicago & North Western Ry. Co., and Litchfield & Madison Ry. Co.	Acquisition of control and merger of L. & M. into C. & N.W.
May 28, 1959	Central Pacific Ry. Co., and Southern Pacific Co.	Merger of C.P. into S.P.
Oct. 8, 1959	Norfolk & Western R. Co., and Virginian Ry. Co.	Merger of Virginian into N. & W.
May 31, 1960	Missouri-Kansas-Texas R. Co., and M-K-T Co. of Texas.	Consolidation into new Delaware corporation.
Sept. 13, 1960	Delaware, Lackawanna & Western R. Co., and Erie R. Co.	Merger of D.L. & W. into Erie.
Oct. 13, 1960	Chicago & North Western Ry. Co., and Minneapolis & St. L. Ry. Co.	Purchase by C. & N.W. of properties of M. & St. L.
Nov. 30, 1960	Minneapolis, St. Paul & Sault Ste. Marie R. Co., Wisconsin Central R. Co., and Duluth, South Shore & Atlantic R. Co.	Merger of W.C. and M. St. P. & P. into D., S.S. & A.
Feb. 9, 1961	New York Central R. Co., Boston & Albany R. Co., Ware River R. Co., Pittsfield & North Adams R. Corp., and Beech Creek Extension R. Co.	Merger into N.Y.C. of other named railroads, previously operated under lease.
Aug. 9, 1961	Belt Railway Co. of Chicago, and Chicago & Western Indiana R. Co.	Purchase by Belt of properties of C. & W.I.
Sept. 12, 1961	Southern Pacific Co., Texas & New Orleans R. Co., El Paso & Southwestern R. Co., and El Paso Southern Ry. Co.	Merge 3 railroads into So. Pac.
Dec. 19, 1961	Southern Pacific Co., and Portland Traction Co.	Control of P.T.C. by So. Pac.
Apr. 4, 1962	Pennsylvania R. Co., and Lehigh Valley R. Co.	Control of Lehigh by Penn. R.
Apr. 18, 1962	Chicago, Milwaukee, St. Paul & Pacific R. Co., and Washington, Idaho & Montana Ry. Co.	Control of W., I. & M. by Milwaukee Land Co.

OFFICE OF EMERGENCY PLANNING

Senator MAGNUSON. All right. Now, let's get down to this emergency planning business, so the committee can get straight on what all of these departments are doing.

Where is the man who has that?

Mr. MURPHY. That is Mr. Alley.

Senator MAGNUSON. The Office of Emergency Planning has asked you to do what?

Mr. ALLEY. They have asked us to develop plans for the emergency organization, also for any emergency orders that might be necessary, such as standby orders and other items that would affect the transportation industry; to make those plans, have them before the industry, check them with the industry as we move along so that they may have training in what might be required of them under emergency conditions.

Senator MAGNUSON. Now, have you not been doing that work previously?

Mr. ALLEY. We have been doing some of that work previously. That is right.

Senator MAGNUSON. And is this a revival of—what do we call it—the Defense Transportation Division?

Mr. ALLEY. In effect, it is.

Senator MAGNUSON. How many people do you have there now?

Mr. ALLEY. We have three men and a secretary.

ADDITIONAL PERSONNEL REQUESTED

Senator MAGNUSON. And how many people do you suggest in this bill?

Mr. ALLEY. We are suggesting 11 additionally within this bill, but those 11 are not to set up a centralized staff for this activity. Our difference in approach has been that instead of having a centralized staff to do this, we have been asking the bureaus; that is, the Bureau of Safety and Service, the Bureau of Motor Carriers, and the Bureau of Water Carriers and Freight Forwarders, to take on a substantial portion of the planning.

In other words, they have the know-how and the technical experience to accomplish this with their regular employees, those who are experienced as to what would be necessary, and so they are developing the major portion of the plan itself.

We act as coordinators within this small staff that we have.

Senator MAGNUSON. Well, how many years has this organization down there or its predecessor been in existence, let's say, since 1950?

Mr. ALLEY. Beginning in 1955.

Senator MAGNUSON. It started in 1955?

Mr. ALLEY. That is right.

Senator MAGNUSON. So you have been 7 years now down there?

Mr. ALLEY. And there was a year in there when we had no funds——

Senator MAGNUSON. Well, you have been 6 years?

Mr. ALLEY. Six.

WORKABLE PLAN CONTEMPLATED

Senator MAGNUSON. Do you not have a plan ready yet?

Mr. ALLEY. Yes, we feel we have a plan.

Senator MAGNUSON. Then why do you have to do more about it?

Mr. ALLEY. Because of the change in the concept, the change in the organizational approach to this; the revision in delegations to the Commission is concerned with a portion of it.

There has been a great change, of course, insofar as weaponry is concerned and the period of time in which weapons could be delivered.

Where the plans originally were much more on a standby basis, presuming that we might have from 60 days to 3 years, as things got worse, in which to effect the organization and put into existence a workable plan, that time has been reduced to practically nil.

Senator MAGNUSON. Well, you have all the information, do you not, that you need?

Mr. ALLEY. Yes. I would say——

Senator MAGNUSON. Well, you must have it all in there. You would not be doing your normal jobs right now, if you did not?

Mr. ALLEY. No.

Senator MAGNUSON. So you got all of that down there?

Mr. ALLEY. Yes, sir.

Senator MAGNUSON. So all you are supposed to do is to have a plan ready for an emergency.

Is that not right?

Mr. ALLEY. Yes.

Senator MAGNUSON. You call upon the different departments for figures and information that you need to make the plan.

Mr. ALLEY. And contacts, yes, sir.

Senator MAGNUSON. Well, once you make a plan why do you have to continue?

This is something that is hard for the committee to understand.

Mr. ALLEY. This is a changing proposition from the standpoint of the basic criteria——

Senator MAGNUSON. You mean what might happen to us is changing or the transportation system is changing?

Mr. ALLEY. No, not so much the change in the transportation system, although there is some change in that, but more from the standpoint of military might and approach, the type of war, or——

REORGANIZED TRANSPORTATION SYSTEM ON EMERGENCY BASIS

Senator ALLOTT. Let me interrupt you there, if I may. Since 1958, you have had funds every year for 4 years, have you not?

Mr. ALLEY. Well, we had $10,000 in 1959 and $20,000 in 1960.

Senator ALLOTT. Everybody has been talking about a pushbutton war and adjusting their thinking and planning to it. Many people are scared to death that somebody is going to push a button and we are all going to blow up.

If we were to come down there this morning, to your shop and say, "Let's see your plans," have you got plans perfected for the organization of the transportation system of the country on an emergency basis that might arise in 15 minutes or might arise in 1 week?

Now, you can answer that "Yes" or "No."

Mr. ALLEY. I would have to say "Yes," but I would also have to add "with limitations."

We have an executive reserve group which could assure the establishment of an emergency organization, with great reliance upon persons who know transportation, upon the transportation industry itself, and then there is the matter of training and orientation, insofar as those persons are concerned.

That is through our executive reserve group.

Senator MAGNUSON. Now, you have that?

Mr. ALLEY. We have that. There is the matter of training those individuals so that they may have the knowledge of what the plans are, how they would be affected by them to put the plan into a continuous operation.

TRANSPORTATION COVERAGE

Senator ALLOTT. Well, now, let's look at this thing.

You know, in this country, of course, that we have a certain number of airlines and we have an *n* number of planes.

While this comes under another part of the Government——

Senator MAGNUSON. They know they have a certain number of trucks and a certain number of railroads.

Senator ALLOTT. I am getting into that. But now you know you have a certain number of miles of railroads, a certain number of miles of first-class railroads, a certain number of cars, diesels, and locomotives.

In the truck area you know or should know what is roughly available.

Now, what is it that takes—what is it? $175,000?

Mr. MURPHY. $175,000.

Senator ALLOTT. To keep this thing going?

Senator MAGNUSON. Well, there is more than that.

Mr. ALLEY. Now, we have just recently, as an example, issued 12 standby orders. These are out before the industry or being placed before the industry at the present time as part of the plans.

Those orders—some of them were issued in 1956 and others in 1958 have been revised.

Those orders have been updated to the current concepts of weapon delivery, the type of war that we might be caught in, or for emergencies.

They also give recognition to the present operations of the industry insofar as trucking, rails, or water carriers are concerned.

Those orders are placed out in a form like this. This is one of the first opportunities that industry has had to see each of these, how they would be affected by the emergency orders of the Commission.

CENTRALIZED CONTROL OF TRANSPORTATION ENVISIONED

They are helping in the development of these. It is my understanding that transportation might require a centralized control or it might require another type of control.

I have a digest, a condensed version of those, if you would prefer them.

Senator MAGNUSON. Yes; these are too long.

All right, this is all done?

Mr. ALLEY. That is done and is current. That is a series of orders which we have placed out on a standby basis.

There has been considerable change over the orders that were originally issued; that is, bringing them up to date.

As I stated, they have been placed out before the industry. As to this executive reserve group, they have cost the Government very little. We now have 372 already on the rolls.

We have those representatives, in case of an emergency—and this is something that has happened in the past year—we have over 210 locations, major terminals in which we have representation at the present time.

The companies by whom these executive reserves are employed have agreed that these persons would be available full time in the case of an emergency for whatever time might be necessary.

These are persons who have the ability to help us to rehabilitate the railroads and to assure continued operation.

Now, those individuals change within their organization. There is a constant change as they have promotions and transfers. There is a continuous training process which is necessary.

In the motor carrier area we have a lesser number of reservists at the present time. We are carrying on training sessions with those individuals and are trying to develop an emergency program which we believe to be both practical and flexible. Strong support has been received from the State Governors on our approach.

Senator ELLENDER. You have been doing this at the——

Mr. ALLEY. We are doing that with the present force. That is right.

Mr. MURPHY. But you are fixing to mislead the Senator. You have not been doing it within the present force.

You have been doing it by using the personnel in the various bureaus, such as the Bureau of Motor Carriers——

Senator MAGNUSON. That is just exactly what we want.

Senator ELLENDER. Why, sure.

Mr. MURPHY. We are doing that because they are the best equipped and have the best knowledge.

Senator ELLENDER. Well, why train others then?

Mr. MURPHY. Well, this is out in the field, Senator Ellender.

SELECTION OF RESERVISTS IN CASE OF EMERGENCY

Assuming in some areas that we do have a disaster, we have been trying to select these executive reservists, that is from the railroads, from the motor carriers, the people who are on the job and who know what the situation is, and would, under an emergency situation, be better informed, cooperating with the States, and it is necessary to——

Senator ELLENDER. Well, those are the people that you ought to work with.

Mr. MURPHY. And that is what we are doing.

Senator ELLENDER. And those are the practical people?

Mr. MURPHY. Yes, sir.

Senator ELLENDER. But you just cannot understand this. You have prepared all of your plans with more or less a skeleton force and now, in order to revise those plans and keep on revising them, you want more people?

Mr. MURPHY. Senator, in doing that, we had to take the men from their regular duties in those different bureaus.

It is to support the bureaus—the drain that we are placing on the bureaus now, to do what we have done here, is to a point where the bureaus, in their respective fields, will be in a little difficulty in keeping their work maintained on a current basis.

Senator ELLENDER. I have no further questions.

Senator ALLOTT. I have no further questions.

Senator MAGNUSON. All right.

Of course, I think the record ought to show, too, the Office of Emergency Planning has asked you people to do this.

Mr. MURPHY. Yes, sir.

RESPONSIBILITY IN EMERGENCY

Senator MAGNUSON. And part of the responsibility is with them.

But this committee cannot understand why most of the stuff is in-house information—why we cannot get that up to date and have a plan. If something happens, the President of the United States is going to have war powers, he is going to call up the Chairman of the Commission and say "All right, you take over transportation." And your people are going to stop looking at cases and filing rates and stuff like that, and get busy. You have got them all there; they are all trained.

Mr. MURPHY. The thing that I am trying to get over, Mr. Chairman, is that we are using the personnel of the different bureaus on this work.

Senator MAGNUSON. And that is what we think you should do.

Mr. MURPHY. And this is to augment that, because it has been a drain on them from their regular duties.

Senator MAGNUSON. You have a few snappy orders ready, and that will be it.

Mr. MURPHY. We think we have the orders up to date, on which we have had considerable study.

Senator MAGNUSON. All right.

Now, on page 34, line 16, you want to strike out $1,718,000 and add $1,753,000.

Mr. SCHMID. That is $35,400.

RAILROAD SAFETY

Senator MAGNUSON. And that is in what field?

Mr. RYAN. Railroad safety.

Senator MAGNUSON. And then on page 34, line 18, you want to add another $33 million for motor inspection.

Is that right?

Mr. SCHMID. Locomotion inspection—$23,800 more.

Senator MAGNUSON. So those two items are in the field of railroad safety?

Mr. SCHMID. That is correct. Both of them are earmarked in the appropriation language.

Senator ELLENDER. That does not mean more money.

Mr. SCHMID. No.

Senator MAGNUSON. It is a limitation.

USE OF GOVERNMENT TRANSPORTATION

Senator ALLOTT. May I inquire, what does this proviso mean—that you may use Government transportation requests when traveling on connection with your duties?

Senator MAGNUSON. Page 34, line 21.

Mr. RYAN. The act provides that certain cases will be set before Joint Boards, made up of State representatives—and they are entitled, under this provision, to use Government transportation requests to travel to the point where a hearing is to be held.

Senator ALLOTT. These are other than Federal employees?

Mr. RYAN. Yes, sir.

Mr. MURPHY. For example, Senator, the three Commissioners that served on this grade crossing hearing that we have in progress, the Joint Board—that would be entitled to travel on that basis.

Senator MAGNUSON. All right.

We have a letter here from the Association of Interstate Commerce Commission Practitioners to put in the record in full.

(The letter referred to follows:)

ASSOCIATION OF INTERSTATE COMMERCE COMMISSION PRACTITIONERS,
Washington, D.C., August 8, 1962.

Re H.R. 12711, independent offices appropriations—Appropriation for the Interstate Commerce Commission.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Committee on Commerce,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: This is written to you on behalf of the Association of Interstate Commerce Commission Practitioners which, as you know, represents the bar of those who practice before the Interstate Commerce Commission on behalf of both shippers and carriers. Our practice being centered on the Commission, naturally we are much concerned about the manner in which it functions. It goes without saying that the Commission's ability to discharge its duties is dependent upon the money made available to it.

There is now before you the independent offices appropriations bill, H.R. 12711, passed by the House which reduces the Commission budget request from $23,200,000 to $22,187,500. The House Appropriations Committee, in reporting out the bill, stated that the reduced amount would permit the Commission to continue on the present operating level in 1963. Our committee on the Commission's budget has investigated the request and action of the House and finds that there is, apparently, some misconception. It is true that there has been no major new legislation enacted since the Transportation Act of 1958; however, the Commission's workload has increased and much of this increase is due to the new motor carriers which were brought under regulation by the 1958 act.

In addition to increased workload, the Commission has before it many difficult, complex major transportation matters, including merger plans of principal railroads, controversial piggyback rates, gray area transportation, and others. Work on these matters will require of the Commissioners and many of their top-flight lawyers, economists, and financial analysts, many months of long, hard work to solve the complex issues involved.

The increase of $112,500 over the 1962 appropriation allowed by the House will only cover the increased per diem rates granted by the Congress at its last session, but does not provide for increased costs over which the Commission has little or no control. Automatic salary increases, merit promotion and

incentive employment programs have alone increased the Commission's current personnel costs by some $275,000 over last year. Accordingly, with the appropriation recommended, the Commission will not be able to continue at the same level, but will be forced to reduce its staff or its activities, and conversely, increase its backlog and further delay its work.

Without going further, it seems to us that unless the request is restored, the Commission must curtail its activities at a time when its services are very critical in insuring that the public will have available to it a transportation system adequate to meet the needs of the shipping public and national defense.

Sincerely,

MARTIN L. CASSELL, *President.*

REORGANIZATION UNDER RECOMMENDATION

Senator MAGNUSON. We have a letter from the Railway Labor Executive Association, in which they question whether you have gone far enough with your reorganization as recommended by the Booz, Allen, and Hamilton report.

You can look at that and put it in the record. Maybe you might want to briefly answer it. I don't mean now—just take a look at it and if you want to answer it, put it in the record. We will put that in the record.

Mr. MURPHY. May I get a copy?

Senator MAGNUSON. Yes. You can have that, and if you have an answer, put both of them in the record.

Mr. MURPHY. Yes, sir.

(The information referred to follows:)

RAILWAY LABOR EXECUTIVES' ASSOCIATION,
Washington, D.C., August 8, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: You have undoubtedly read the Interstate Commerce Commission's recent press release announcing an extensive realinement of its field operations effective July 1, 1962. The Commission apparently feels that by this action they have answered their critics.

I would strongly suggest that before your committee recommends an appropriation calling for increased funds for the Interstate Commerce Commission, you examine the above reorganization and compare it with those proposals made by authorities who recently studied the Commission's organization. I refer to the extensive studies made by the Booz, Allen & Hamilton firm of management consultants under authorization of the Bureau of the Budget; the Commission's own special advisory committee of practitioners; and the Doyle report which was submitted to your committee.

Like you, we are very much concerned with the effectiveness of the Interstate Commerce Commission in carrying out all of its responsibilities but especially those in the area of railroad safety.

I very much fear that unless drastic action is taken, the Commission will fall far short of correcting the deficiencies in their organization.

Sincerely,

G. E. LEIGHTY, *Chairman.*

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., August 15, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: This has reference to letter of August 8, 1962, from Mr. G. E. Leighty, chairman of the Railway Labor Executives' Association, to you commenting on this Commission's reorganization of field operations which became effective July 1, 1962. You suggested at the hearings held by

your subcommittee on August 13, with respect to our 1963 budget request, that we might wish to comment on the letter for the record. Our comments are as follows:

The matter of field reorganization has been a subject of continuing concern to the Commission. After considerable deliberation over proposals made by Booz, Allen & Hamilton, the Special Advisory Committee on Interstate Commerce Commission Practices and Procedures, our own management staff, and the several bureaus concerned, the Commission approved a number of changes which became effective July 1, 1962. The principal changes are as follows:

(1) *Bureau of Accounts.*—The three geographical areas formerly utilized by the Bureau for assignment of field staff were realined into six districts; each headed and supervised by a district auditor. The duties and responsibilities of the district auditor are generally the same as those formerly assigned to the three examiners in charge; however, provision is made for increased personal contacts between the supervisors and subordinates, and there will be additional on-the-job supervision by district auditors. Existing instructions have been broadened relative to rendering assistance to staff of other bureaus of the Commission.

(2) *Bureau of Inquiry and Compliance.*—The Bureau formerly utilized 10 geographical divisions for the assignment of territory to its special agent staff. Since special agents of this Bureau spend most of their time in the investigation of possible violations of rail carriers, and to a lesser extent make investigations in the water carrier and freight forwarder fields, they were assigned territory, effective July 1 in accordance with new district patterns utilized by the Bureau of Safety and Service.

The Bureau will continue to utilize the Bureau of Motor Carriers geographic pattern with respect to its motor carrier enforcement activities, with assignments of regional attorney staff to 13 districts.

The delegation of authority to regional attorneys of the Bureau and district directors of the Bureau of Motor Carriers (when they agree) to approve final investigation and criminal prosecution of motor carrier safety violations was adjusted. Since July 1, such officers have been authorized to approve (when they agree) final investigation and court enforcement action for all types of motor carrier violations under part II of the act, subject to a routine review procedure in Washington.

A procedure has also been instituted to require compliance checks subsequent to issuance of cease and desist orders by the Commission or successful court action to determine whether unlawful activities have been stopped, continued or resumed.

(3) *Bureau of Motor Carriers.*—No organizational changes have been approved with respect to the field organization of this Bureau in view of the findings of the Booz, Allen & Hamilton survey report. The one deficiency found and reported by the firm, with respect to the present practice of not obtaining annual program submissions from the district directors, has been corrected.

(4) *Bureau of Safety and Service.*—Field operations of the Bureau were realined into eight districts instead of the former supervisory zones and work areas. Each district is headed by a district director responsible for the supervision of the Bureau field staff in his district.

Additionally a minimum of two district supervisors are provided in each of the eight districts to furnish technical advice to the district director, and technical guidance and training to agents and inspectors domiciled in the district. District directors will perform the function of district supervisor in the specialty field in which they are qualified.

Instructions have been broadened to require greater personal contact between Bureau and field supervisors and their subordinates; to coordinate work programs and permit better utilization of the field staff, including cross-training of employees, making it possible for one specialty group to perform work in another specialty area; and to permit greater assistance to staff of other bureaus having need therefor with respect to special or technical matters.

(5) *Bureau of Water Carriers and Freight Forwarders.*—In asmuch as the field staff of the Bureau is small and widely separated, no changes are being made at this time.

The above-described changes in field organization are the product of extensive study of this aspect of the Commission's operations by a special committee of the Commission composed of the five senior members and consideration of

the matter by the entire Commission in the light of detailed recommendations submitted by the special committee. There are a number of other aspects of field operations which are still under consideration by the special committee, including additional delegations of authority to institute investigations and prosecutions and the administrative support and management areas of the field organization. This approach to reorganization of the field force, of necessity, is somewhat time consuming. We believe, however, that a thorough study in depth of the whole fabric of our field organization is essential to assure that changes made therein will eliminate for the future any shortcomings of the present organizational structure. Actually, this process of careful consideration can be expected to provide us with an efficient and economical field operation in all phases of our regulatory activity in a shorter period than would the hasty approval of one overall plan of reorganization that would require constant refinement and adjustment in the future.

While the action taken thus far and the additional steps under consideration may not result in a widespread reorganization of field operations such as was contemplated by the various study groups, we believe that they will result in a considerable improvement over the present organization.

We appreciate the opportunity to inform you of actions taken and proposed by the Commission to reorganize its field operations. Mr. Leighty's letter has been returned with the transcript of the hearings.

Sincerely,

RUPERT L. MURPHY, *Chairman.*

REPLACEMENT OF RETIREES

Senator MAGNUSON. Now, you are going to have 137 employees retired the next fiscal year.

The committee would like you to take a good, long look at what division or whatever shop they come out of, and see if you can get by by reorganizing your personnel, and not rehiring a couple of more at the bottom.

Mr. SCHMID. In other words, not fill vacancies.

Senator MAGNUSON. If you are going to move somebody up to them—see if you cannot—we want you to try this in the agencies. As Senator Allott so well pointed out, some businesses use retirement to reorganize, readjust their agency or the shop, wherever it may be.

Obviously some of them you cannot. We understand that.

But see if you cannot—we cannot hold down this employment. And this seems to be one way to approach it. Rather than when the top man retires, if he is top, you hire two more down below—and then Parkinson is right again.

See if we cannot do that.

We are asking all of the agencies under our jurisdiction to take a good, long look at this and see if they cannot, when some of these people retire, do as good businesses do. When a person retires, sometimes, they do not hire a new one, but they reorganize and they get the same job done.

Senator ELLENDER. This cutting off of people need not be relegated to the lower echelon. It could be higher up.

Senator MAGNUSON. It sure could.

It is done all the time. Lots of times the person, when he gets near retirement, maybe he is not doing the kind of job he should have been doing anyway. So you have been doing his work anyway, part of it. That is only inherent in all of us—we are only human. Maybe you can get along without retiring somebody down below and adding to it.

Mr. MURPHY. Senator, we will certainly study it.

Senator MAGNUSON. You take a look at it. You have 137 going to retire next year. You have 319 retired last year—this fiscal year—and 301 before; 137 in fiscal 1963.

Mr. MURPHY. As I understand it, you do not want any reorganizations that bring about multiple increases in personnel in extra layers, but take some off.

Senator MAGNUSON. That's right. Well, that is a good place to work on it—when you get a retirement.

Mr. MURPHY. We will certainly study it and be able to keep you fully informed of what we can develop.

Senator MAGNUSON. Congress has never been skimpy with the departments in doing their jobs. But we just think that sometimes, if you do not watch it, and do something like this and make studies, that you just have too many people for the job to be done. And they just grow like Topsy.

All right. Are there any further questions?

Thank you very much gentlemen.

Senator MAGNUSON. Now we have National Capital Housing Authority.

NATIONAL CAPITAL HOUSING AUTHORITY

STATEMENT OF EDWARD ARONOV, ASSISTANT EXECUTIVE DIRECTOR; ACCOMPANIED BY WILLIAM R. SIMPSON, JR., GENERAL COUNSEL; HENRY F. DAVENPORT, DIRECTOR OF PROJECTS DEVELOPMENT; HARVEY V. EVERETT, DIRECTOR OF MANAGEMENT; AND HERMAN EDWARDS, BUDGET OFFICER

HOUSE RECOMMENDATION ACCEPTABLE

Senator MAGNUSON. Now, we will put your letter in the record in full.

(The letter referred to follows:)

NATIONAL CAPITAL HOUSING AUTHORITY,
Washington, D.C., July 31, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: The independent offices appropriation bill for 1963 as reported to the House provides $40,000 for the operation and maintenance of properties under title I of the District of Columbia Alley Dwelling Act.

Inasmuch as the amount of $40,000 approved by the House Appropriations Committee is the amount we requested in our budget estimate for 1963, the Authority is not requesting the Senate to make any changes in the bill as reported to the House.

Sincerely yours,

WALTER E. WASHINGTON, *Executive Director.*

Senator MAGNUSON. The House gave you $40,000 for the operation and maintenance of the properties under title I of the District of Columbia Alley Dwelling Act. This is the amount requested. And so you are not asking for any changes. But I thought you fellows wanted to get out of this business. Remember, last year, you asked to be eliminated. And then the House wanted you back in again.

Mr. ARONOV. Yes, sir. We are studying the situation, looking at the possibility of getting out of it. But frankly, we enjoy coming and talking to you so much, that we are going to miss it.

Senator ALLOTT. Well, the first thing you know, Mr. Chairman, these gentlemen are going to change their minds and decide they want to stay in business, and they are going to be coming back up and asking for appropriations.

Senator MAGNUSON. You would have no objection to us throwing you out again, and then take it up with the House?

Mr. ARONOV. No, we have no objection.

Senator MAGNUSON. All right.

Are there any further questions?

That is all. Thank you.

We will recess at this time until 2:30 this afternoon.

(Whereupon, at 11:25 a.m., the subcommittee was recessed, to reconvene at 2:30 p.m., of the same day.)

AFTERNOON SESSION, 2:30 P.M., MONDAY, AUGUST 13, 1962

Senator ELLENDER (temporarily presiding). The committee will come to order.

This is off the record.

(Discussion off the record.)

RENEGOTIATION BOARD

STATEMENT OF LAWRENCE E. HARTWIG, CHAIRMAN, THE RENEGOTIATION BOARD, ACCOMPANIED BY RUSSELL A. STUART, BOARD MEMBER; HERSCHEL C. LOVELESS, BOARD MEMBER; THOMAS D'ALESANDRO, JR., BOARD MEMBER; WILLIAM M. BURKHALTER, BOARD MEMBER; HOWARD W. FENSTERSTOCK, GENERAL COUNSEL; ROBERT F. HAGGERTY, DIRECTOR OF ADMINISTRATION; AND MISS ELFRIEDA EGBERT, BUDGET ANALYST

LETTER FROM BOARD CHAIRMAN

Senator ELLENDER. I ask that there be placed in the record a letter from Mr. Hartwig, the Chairman, dated August 13, 1962, and a summary of the salaries and expenses of the Board.

(The letter and summary referred to follow:)

THE RENEGOTIATION BOARD,
Washington, D.C., August 1, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: I have your letter dated July 27, 1962, inquiring whether any changes in the independent offices appropriation bill for 1963 are "required in the public interest."

In the House of Representatives, with the approval of the Bureau of the Budget, the Renegotiation Board requested an appropriation of $2,500,000 for fiscal 1963. H.R. 12711, soon to be passed by the House, as your letter presumes, would grant the Board an appropriation of $2,450,000, a reduction of $50,000. The Board is of the opinion that the Senate would be acting in the public interest by restoring the full amount eliminated by the House.

The report of the House Committee on Appropriations states that an appropriation of $2,450,000 "will provide a staff of 230 to handle a workload which has been substantially reduced from levels of former years." The Board's estimate of the number of employees required to carry on its operations for 1963 is 235, itself a reduction of 44 from the preceding year. This figure was established after careful consideration of the workload anticipated for the year and the manpower required for maximum working efficiency. The Board is seriously concerned that the further reduction that would be necessitated by the House action might impede the Board in the prompt and efficient accomplishment of its program.

Accordingly, the Board requests that H.R. 12711 be amended by changing "$2,450,000" on page 37, line 20, to read "$2,500,000."

Sincerely yours,

(Signed) LAWRENCE E. HARTWIG,
Chairman.

RENEGOTIATION BOARD—SALARIES AND EXPENSES

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Executive direction	532	548	543
2. Staff operations	770	754	762
3. Renegotiation operations (field)	1,635	1,589	1,195
Total program costs	2,937	2,891	2,500
Change in selected resources	−12		
Total obligations	2,925	2,891	2,500
Financing: Unobligated balance lapsing	90		
New obligational authority (appropriation, adjusted)	3,015	2,900	2,500
Transferred to "Operating expenses, Public Buildings Service," General Services Administration, 1962		−9	
Total		2,891	

INTRODUCTION OF WITNESSES

Senator ELLENDER. Now, I see you have a written statement, Mr. Hartwig.

Mr. HARTWIG. Yes, sir.

Senator ELLENDER. Would you like to go on and read it?

Mr. HARTWIG. I would like to read it, Mr. Chairman.

Senator ELLENDER. It is short. You may proceed.

You do not mind being interrupted?

Mr. HARTWIG. No, sir.

Senator ELLENDER. Proceed.

Mr. HARTWIG. Before I read the statement I would like to introduce three Board members who have not yet appeared before the committee.

It is my honor and privilege to introduce Governor Loveless, Mayor D'Alesandro, and Mr. Burkhalter, and, of course, you know Mr. Stuart who has been on the Board for many years.

Senator ELLENDER. Yes.

GENERAL STATEMENT

Mr. HARTWIG. Mr. Chairman and members of the subcommittee, I appear in behalf of the Renegotiation Board in support of its appropriation request for the fiscal year 1963, and to ask in particular that the Senate restore the full amount of the $50,000 cut made by the House.

The Board has requested an appropriation of $2,500,000, a reduction of $400,000 from the amount of its appropriation for fiscal year 1962.

And I might add that this was a voluntary reduction in our budget.

Senator ELLENDER. How much did you originally ask for?

Mr. HARTWIG. $2.5 million. We voluntarily reduced our request to the Congress.

Senator ELLENDER. You mean from last year?

Mr. HARTWIG. Yes.

Senator ELLENDER. Well, when you made your request in the budget you asked for $2.5 million?

Mr. HARTWIG. $2.5 million.

Senator ELLENDER. And they gave you the full amount?

Mr. HARTWIG. The full amount.

Senator ELLENDER. Proceed.

HOUSE ALLOWANCE

Mr. HARTWIG. The House approved—the House allowed $2,450,000, stating in its committee report that this—

will provide a staff of 230 to handle a workload which has been substantially reduced from levels of former years.

In formulating its 1963 budget estimate last fall, the Board considered very carefully the volume of business it might fairly anticipate for 1963 and the number of employees it would need to perform this work most efficiently. On January 15 of this year, in my testimony before the House Committee on Appropriations, I estimated that the number of cases that we would assign to our regional offices in fiscal year 1963 was 600, an increase of 250 from the number then estimated to be assigned in 1962. This estimate reflected the anticipated effect of expanded defense expenditures in 1961 and 1962. The forecast of 600 assignments is being borne out by recent experience. In late months we have witnessed a decided step-up in assignment volume. At the present rate, assignments to the field may exceed 600 for the year.

EMPLOYEES REQUIRED

To process 600 or more assignments in what is now the current year, it is our best judgment that we shall require not less than 235 employees. Last year, by eliminating one regional board, improving our procedures, and introducing other operating efficiencies, we were able to decrease substantially our assignments to the field and reduce our total personnel.

And it was this action that enabled us to come in with a voluntary reduction in our budget of $400,000.

87888—62——60

In anticipation of these improvements and consequent savings, the Board refrained last summer from asking your committee to restore the sum of $100,000 which the House had eliminated from our 1962 budget request. We were certain by that time that we would be able to live well within the reduced allowance of $2.9 million and in fact we did.

EFFECT OF HOUSE ACTION

The situation this year is entirely different. Our work is again increasing, and we are seriously concerned that by the action of the House, unless it is corrected here, we may be unable to attain our proper ends.

Mr. Chairman the Renegotiation Board has endeavored over the years to discharge its trust efficiently and economically. The record will also show that it has presented its budgetary requests to the Appropriations Committees of the Congress with faithful regard for these objectives. This is the record which prompted the distinguished chairman of the House Committee on Armed Services to say recently on the floor of the House:

> This Board is one of the few agencies of the Government which has cut its payroll when its needs have permitted. * * *
>
> * * * I think the Board is to be commended for the efficient and economical way in which it discharges its duties, and the careful and honorable way in which it carries out the mandate of Congress.

This completes my formal statement, Mr. Chairman. I shall be pleased to answer any questions the committee may have.

Senator ELLENDER. Well, you say you will need 235 employees?

Mr. HARTWIG. Yes, sir.

TOTAL EMPLOYEES ON ROLL

Senator ELLENDER. How many have you now?

Mr. HARTWIG. 195.

Senator ELLENDER. 195. How many did you have last year?

Mr. HARTWIG. We had at one time in excess of 258 and, as a result of a reduction in force, we reduced that to the present figure, but we did not——

Senator ELLENDER. When you say "present figure" you mean 190?

Mr. HARTWIG. 195, yes.

Senator ELLENDER. I mean 195.

Mr. HARTWIG. Actually, what happened is that we abolished the New York and the Detroit boards, and at the time that we abolished those boards we set up a table of organization, contemplating 228 employees, and we offered jobs for 57 people in the eastern board here.

But only 41 people availed themselves of the right that they had under civil service laws to accept these jobs in Washington.

The result is that, temporarily, we have fewer people than we need to do the present job, let alone the forecast for the future. And we are presently in the process of replacing the people who did not come here in the reorganization.

Senator ELLENDER. Well, do you say that your caseload would be about equal to your estimate?

Mr. HARTWIG. This has been true during the last 6 months. The assignments to the field are averaging about the 600 per year figure or a little bit in excess of that.

Senator ELLENDER. Now, of the 195 how many are in Washington?

Mr. HARTWIG. Out of the 195 there are 160 in Washington.

Senator ELLENDER. And you have got only 35?

Mr. HARTWIG. In the Los Angeles board, and this is the board which is decidely in need of restaffing at the present time. The 160 figure includes both headquarters and the eastern regional board.

Senator ELLENDER. Yes.

Any questions?

PERSONNEL SITUATION

Senator ALLOTT. Yes; I have one or two.

The figure which we have shows that you have 235 permanent positions in the Renogotiation Board for this year, and the number of employees at the end of the year was 235, which has now been reduced further, you say, as I recall the testimony.

Is that correct?

Mr. HARTWIG. The estimate on this budget was prepared last December, and it was that we would have 200——

Senator ALLOTT. I thought you said 229 a few moments ago.

Mr. HARTWIG. I think 228 is the right figure.

Senator ALLOTT. Mr. Chairman, the Renegotiation Board had $2.6 million for salaries in 1961; $2.525 million in 1962, and they are asking for $2.194 million for this year, which is a reduction in 2 years of $331,000.

I would like to ask a question primarily along the lines of your casework.

You have an average GS grade in your department of 9.5 which is pretty high except for some of the research agencies.

CASE BACKLOG

How does the timelag on cases compare now to what it was a year or 2 years ago?

Mr. HARTWIG. Well, we have expedited the process considerably in the past year by doing a more thorough job of screening out cases at headquarters. A recent survey shows that out of the approximately 3,800 to 4,000 filings that we receive annually above the floor, and those are the cases that require processing—of those, approximately 88 to 90 percent are disposed of at headquarters.

And a survey I made a couple of months ago indicated that those 88 to 90 percent of the filings were disposed of on the average in 45 days.

The remaining cases——

Senator ALLOTT. What has been the experience on the 10 or 12 percent that are left?

Mr. HARTWIG. Oh, on the average this is difficult to say because some cases are deferred pending investigations by Internal Revenue and so on. We are dependent upon finalization of those investigations.

Perhaps a year and a half on the average from the date of filing to the date of completion.

Senator ALLOTT. And these are really the renegotiations?

Mr. HARTWIG. Those are the hard cases that require more thorough processing; yes, sir.

Senator ALLOTT. How do you think this time compares with the time a year ago or 2 years ago?

IMPROVEMENT IN CASE PROCESSING

Mr. HARTWIG. I think it it a vast improvement.

Senator ALLOTT. How much?

Mr. HARTWIG. We had 1,010 pending cases in our field boards a year ago last March.

Since that time that figure of 1,010 has been reduced to 487 as of July 31 of this year.

Senator ALLOTT. Now, what is the difference in the amount of filings from last year?

Have your filings gone up or down?

Mr. HARTWIG. Above-the-floor filings are about the same.

Senator ALLOTT. Just about comparable?

Mr. HARTWIG. Yes, sir.

Senator ALLOTT. I would just like to say, Mr. Chairman, that it is a little bit pleasant to find somebody, even though they want to go back up the ladder a little bit, who has come down the ladder in the last few years.

This is the only agency in Government that I know of who has done that.

Mr. HARTWIG. Well, we are quite proud of that fact.

Senator ELLENDER. I think there was another small one where efforts were made to try to go down.

Mr. HARTWIG. I might say that we are very much concerned about this problem of remaining current, and that is why we are very concerned about any reduction in our budget.

Senator ALLOTT. What would those people be that you are asking for?

TYPE OF PERSONNEL REQUESTED

Mr. HARTWIG. These would be professional people, GS–14 or thereabouts.

Senator ALLOTT. Accountants, lawyers?

Mr. HARTWIG. Accountants and renegotiators.

The cases are processed in the main by an accountant, in the first instance, who must prepare the figures, the segregation of sales, the allocation of costs, to see that the profits on the Government business are properly stated. Then the other member of the team in the field is the person we call a renegotiator, a person who has to have a great deal of experience with business and is able to study and analyze the profits and evaluate them under the statutory factors to determine whether or not the profits are excessive.

You can see from this description of this very important and difficult job that it is important that we get very high grade professional people.

Senator ELLENDER. Well, Mr. Hartwig, you said a moment ago that you had 195 on hand and you needed 235.

Mr. HARTWIG. Yes, sir.

Senator ELLENDER. Well, you cannot get 45 with $50,000.

I guess you will have enough money to obtain quite a few to get closer to 235 than you now are?

Mr. HARTWIG. Well, the other element in the picture is our estimate as to what might happen during the latter part of this year, when we may see the impact of increased defense expenditures.

It may be that we may require more than 235 people.

RESTORATION REQUESTED

Senator ELLENDER. You are asking for a restoration of the $50,000?

Mr. HARTWIG. Yes, sir.

Senator ELLENDER. And are we to understand that if we give you the $50,000 you would be able to hire the 235?

Mr. HARTWIG. We would.

Senator ELLENDER. Well, I repeat: since you have 195 on hand now, you must have quite a bit of money available on hand to——

Mr. HARTWIG. I agree.

Senator ELLENDER (continuing). Hire more people.

Mr. HARTWIG. I agree.

Senator ELLENDER. Why do you not have them?

Mr. HARTWIG. Why do we not have these people?

Senator ELLENDER. Yes.

Mr. HARTWIG. Because of the unanticipated effect of the reduction in force which took place.

In other words we offered 57 jobs here in Washington in the early part of this year to approximately 104 employees in New York and Detroit. We were unable to fill all of those 57 jobs.

Senator ELLENDER. Because you could not get the people?

Mr. HARTWIG. The people did not want to come to Washington, and this was an effect that could not be foreseen under the retention register of the Civil Service.

One could not forecast how many people would exercise "bumping" rights, and the result is that we are faced now with the problem of not only staffing up to meet the number that we estimated that we needed, but we must also anticipate the increased workload which faces us this year.

Senator ELLENDER. Well, as I see it then, you have enough money at hand to employ between 225 and 235?

In other words, the $50,000 would employ about four or five people, would it not, or six people?

Mr. HARTWIG. Five.

Senator ELLENDER. So that with the money you have on hand you would have enough to employ 230 people?

Mr. HARTWIG. Yes, sir.

Senator ELLENDER. But you need five more?

Mr. HARTWIG. Yes, sir.

Senator ELLENDER. All right. Anything else, gentlemen?

Mr. HARTWIG. No, sir.

Senator ELLENDER. Well, keep up the good work and we will try to do what we can to restore that $50,000.

Mr. HARTWIG. Thank you.

SELECTIVE SERVICE SYSTEM

STATEMENT OF LT. GEN. LEWIS B. HERSHEY, DIRECTOR OF SELECTIVE SERVICE; ACCOMPANIED BY COL. WILLIAM S. ILIFF, JR., ASSISTANT TO THE DIRECTOR; AND COL. BERNARD T. FRANCK III, CHIEF LEGISLATIVE AND LIAISON OFFICER

COMMUNICATION TO THE CHAIRMAN

Senator ELLENDER. The committee will come to order.

Now, I ask that there be placed in the record at this point a letter from General Hershey, dated July 31 and addressed to the chairman of this subcommittee, Senator Warren G. Magnuson, indicating that you will ask for a reclaimer of a little over $1 million.

General HERSHEY. Yes, sir.

(The letter referred to follows:)

NATIONAL HEADQUARTERS,
SELECTIVE SERVICE SYSTEM,
Washington, D.C., June 31, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, Committee on Appropriations, U.S. Senate.

DEAR MR. CHAIRMAN: I have your letter of July 27, 1962, in which you request that I advise your committee whether any changes are required, in the public interest, in the Independent Offices Appropriation bill for 1963.

I am indicating below, by page and line of H.R. 12711, as reported to the House, the change which, in my opinion, is essential to permit this agency to carry out its responsibilities and functions placed upon it by law:

On page 38, line 15, change "$37,085,000" to read "$38,173,000."

Sincerely yours,

LEWIS B. HERSHEY, *Director.*

FUNDS REQUESTED

Senator ELLENDER. In other words, on page 38, line 15, change "$37,085,000" to "$38,173,000"?

General HERSHEY. Yes, sir.

Senator ELLENDER. In other words, the House gave you the same level of appropriation as you now have available?

General HERSHEY. Yes, sir.

Senator ELLENDER. It is your contention that you need a little more to be able to do that?

General HERSHEY. Right.

Senator ELLENDER. Now, General, you tell us why.

General HERSHEY. I have a very short statement here.

Senator ELLENDER. You may proceed, sir.

GENERAL STATEMENT

General HERSHEY. Mr. Chairman and members of the committee, I appreciate very much the opportunity you have given me to appear before you in support of restoration of the amount our request was reduced by the House. Without this restoration, the Selective Service System would be seriously handicapped in performing the essential functions placed upon it by the Congress.

The House of Representatives cut the Selective Service System's request for 1963 by $1,088,000. In making this reduction, the committee report indicated that it was a reduction to the amount ap-

propriated in fiscal year 1962. This being the case, we shall consider the elements of our request in comparison with our 1962 appropriation.

For local boards, we requested $718,000 additional for 1963 which was to finance that portion which would be required in 1963 for the time of local board clerks which was given without compensation in 1962 because funds were not available for compensation.

REASONS FOR REQUEST

The $290,000 additional over 1962, requested for State headquarters, was to pay $120,000 required for statutory, within-grade raises and longevity increments for existing employees.

$84,000 was for filling 20 vacancies in the State headquarters. During the last 3 years, we have had to vacate 41 positions because of the lack of available funds. Each year in which we were held to a previous year's dollar figure, no provision was made for the statutory within-grade and longevity increases. An additional 28 positions are in jeopardy this year if the House figures should prevail.

Another $22,000 of the increase is to meet Selective Service's share of the personal benefits. We have no control over the amount, which is based on the number of employees participating and the extent to which they participate in the area where we are required to pay matching funds.

Our request includes an additional $30,000 to increase State headquarters' travel. The House granted the additional authority but made no provision to finance this additional amount.

The balance of $34,000 was for small increases in other objects; costs and prices have tended to rise during this period.

The $61,000 increase which we requested for national headquarters was to cover $17,000 for within-grade and longevity increments, and $22,000 to fill five positions vacated by reason of lack of funds. During the last 3 years, 32 positions have been vacated, 8 during the past fiscal year, even in the face of an increasing workload.

The increase also provided for an increase of $8,000 in our payments toward personal benefits; also $3,000 increase to finance the additional travel authority. The remaining $11,000 is for miscellaneous objects.

The remaining $19,000 of the cut will have to come from one of the three projects just enumerated to finance the additional amount granted to the National Advisory Committee on the Selection of Physicians, Dentists, and Allied Specialists, but not specifically funded.

That is the end of the statement, sir.

OPERATION OF LOCAL BOARDS

Senator ELLENDER. I notice, General, that your largest request is for local boards.

General HERSHEY. Yes, sir.

Senator ELLENDER. And do I understand that you were able to get all of this for free last year?

General HERSHEY. Well, we had to work our local board clerks longer than we had money to pay them, and the work was there and it had to be done.

In fact, this is a rather, I would say, modest amount because I think that the survey we made indicated what? Three or four hundred thousand more than that.

Colonel ILIFF. Yes, a little over $1 million.

Senator ALLOTT. We gave you, though, substantially more money last year to take care of just exactly this.

This is not true?

Colonel ILIFF. The amount was given, but there was still about $700,000 cut off from our request based upon the survey which we took of the workload required for the local boards.

AMOUNT AVAILABLE FOR PERSONAL SERVICES

Senator ELLENDER. Well, how much have you for that purpose now?

Colonel ILIFF. For local boards?

Senator ELLENDER. Yes.

Colonel ILIFF. This is personal services, $21,336,000.

Senator ELLENDER. For local boards?

Colonel ILIFF. For local boards; yes, sir.

Sentaor ELLENDER. And you are shy of 718?

Colonel ILIFF. Yes, sir.

Senator ELLENDER. Now, what is this $21 million?

Is that to pay——

Colonel ILIFF. That is personal services only, personnel compensation.

Senator ELLENDER. Yes.

Colonel ILIFF. That is only for that purpose.

General HERSHEY. You see, most all of our employees are at the local board level and most all of our money is for either the pay of the employees or travel of inductees.

Those are our two big amounts. We have not got anything that we buy that amounts to anything and, therefore, whenever we save any money it has to be out of the people because we do not deal in things.

Senator ELLENDER. And most of the rest of your request is to pay within-grade increases in salary?

Colonel ILIFF. Yes, sir.

Senator ELLENDER. All right. Are there any questions?

INCREASE IN SALARY PAYMENTS

Senator ALLOTT. Yes. In 1961 your total salaries were $26,261,000. This jumps in 1962 to $28,558,000.

In 1963, it jumped to $29,577,000.

That is an increase of $3,300,000 in 2 years.

In 1961 your total number of permanent positions was 5,176, and that has jumped up also this year, roughly 400 positions. At the end of the year, in 1961, you had 6,607 employees and now you have 7,300 employees for 1963.

Now, what is the reason for this constant increase in the number of employees?

General HERSHEY. Well, I think that you will find that these employees that have increased have all been on the local boards, because we have, in State and National headquarters, less employees.

Is that not right?

Colonel ILIFF. Yes, sir.

General HERSHEY. In either one of those years, each year we had less in national headquarters.

One of the reasons why they have been increasing in the local boards is because the efforts to try to get some needed employees and also the efforts to pay them for the work that they did rather than having to get $1 million or so for the work that they did not get paid for.

Of course, last year, which is not necessarily true of this coming year, we had quite a flurry last fall of inductions activity.

Do you want to make a statement on this?

RATE OF INDUCTIONS

Colonel ILIFF. Well, we had about 58,000 inductions in 1961, the first period that you are talking about there.

Last year we had 168,000 inductions, "last year" being 1962, the one that is now closed.

In 1962 our estimate is based, and our estimate for that year was based, on 196,000 but at the end of the year the recruiting got better. So they slowed up the pace.

Senator ALLOTT. Well, now, how much of this budget that you have requested is consumed in the travel pay for draftees or inductees?

Colonel ILIFF. About 5 percent.

Senator ALLOTT. Five percent?

Colonel ILIFF. Yes; 5 to 10 percent.

General HERSHEY. That is one of the things that bothers you because, in the first place, you never know until the year is over and we have never been bothered by making some savings, but I hate to try to pay my personnel out of savings I can make in the travel of inductees, because if nothing happens, that you do not save any money, you then have to go back for some extra funds, as we did last year.

And, in the first place, the Congress gave us the travel for the travel of the inductees, and I do not think that ought to be used for anything else.

I do not like to make any assumption that there is money——

TRAVEL FOR INDUCTEES

Senator ALLOTT. Well, let's get the record clear about this.

The travel for inductees comes solely from your funds?

General HERSHEY. Yes.

Senator ALLOTT. Then you expect——

Colonel ILIFF. Now anybody who is returned as rejected is returned to his own station by the services, when they are rejected for induction.

General HERSHEY. But we do get three trips.

The Congress requires that he has a preinduction examination. He comes from his home to the induction station, and then, if he is accepted, he goes back home and then, when it is time for him to go, he comes back.

So there are three trips that we have to pay for because there is nothing that we can do about it, because the Congress guarantees him the right of a preinduction examination to determine his eligibility.

But it does make an extra trip rather than if we just sent him up for induction.

Senator ALLOTT. Well, I have no further questions, Mr. Chairman.

COST PER INDUCTEE

Senator MAGNUSON. What does it cost you now—I was trying to figure it out here—per inductee?

It was 150,000 last year?

General HERSHEY. If you do not mind, I will let Colonel Iliff figure that, and I would like to again say that about 85 percent is not inducting individuals.

Senator MAGNUSON. I was just wondering as a matter of curiosity how much it costs you.

What is it?

Colonel ILIFF. I think it would be about $20—wait a minute—better let me figure it out here.

Senator MAGNUSON. 150,000? Oh, more than that.

Colonel ILIFF. It is closer to $200. My decimal point was bad.

Senator MAGNUSON. About $200?

Colonel ILIFF. Yes.

Senator MAGNUSON. What is the forecast for next year, to the best of your ability, of draft calls?

Colonel ILIFF. We budgeted it for 200,000.

Senator MAGNUSON. For next year?

Colonel ILIFF. Yes, for next year. That is for 60——

Senator MAGNUSON. That does not mean that there will necessarily be——

Colonel ILIFF. I am in the wrong year here.

Senator MAGNUSON. For fiscal year 1963.

Colonel ILIFF. For fiscal 1963, 200,000.

Senator MAGNUSON. For this appropriation?

General HERSHEY. And the way it looks now, we are not going to have anywhere near that number and for travel for inductees we probably will not spend it but, on the other hand, it is better bookkeeping to make a savings and turn it in than to use that to pay some others with.

PHYSICAL AND MENTAL STANDARDS

Senator MAGNUSON. You remember this, as we have always had this discussion in times past, how are they running now, physically and mentally? About the same as usual?

General HERSHEY. Well, it is higher than 2 or 3 years ago because, in the first place, your standards have gone up and, in the second place, the number of people inducted is relatively small.

And whenever that is true the application is going to be on top of the standards.

Senator MAGNUSON. What is the mental or IQ situation?

Is that getting better?

REJECTIONS

General HERSHEY. No, I think it is running about 40 percent of the total that we reject are rejected mentally and 40 percent, physically, and 20 percent both.

And we are crawling awful close to 4 million who have been rejected.

Senator MAGNUSON. This is not the exemptions?

General HERSHEY. No, these are fellows that we send up and they will not take. But yet it costs us almost as much to send a man up and have him not taken as it does——

Senator MAGNUSON. Oh, yes.

General HERSHEY. It costs the country a great deal more. Of course they have done one thing, whether it is going to amount to something or not, I do not know.

In order to keep a boy from feeling, when rejected, that he was a rejected person and nonacceptable person, we have introduced what we call I–Y to give that type of person as we will use him in an emergency, and we use that rather than IV–F.

But if there was a real emergency, we tell him "we would need you," and that is done under the assumption that there is a psychological impact of telling a person "you are no good; you are bad."

Senator ELLENDER. Any further questions? No?

Senator MAGNUSON. Thank you, General.

Senator ELLENDER. Thank you very much.

General HERSHEY. Thank you.

(Whereupon, at 3:15 p.m., Monday, August 13, 1962, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, August 14, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

TUESDAY, AUGUST 14, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., pursuant to recess, in room F-37, the Capitol, Hon. Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson, Hill, Ellender, Holland, Monroney, and Allott.

Also present: Senators Proxmire, Bartlett, Williams of New Jersey, Beall, and Keating.

FEDERAL TRADE COMMISSION

STATEMENT OF HON. PAUL RAND DIXON, CHAIRMAN, ACCOMPANIED BY JOHN V. BUFFINGTON, ASSISTANT TO CHAIRMAN; JOHN N. WHEELOCK, EXECUTIVE DIRECTOR; FRANK C. HALE, PROGRAM REVIEW OFFICER; WILLIAM P. GLENDENING, COMPTROLLER; JOHN A. DELANEY, DIRECTOR, OFFICE OF ADMINISTRATION; JAMES McI. HENDERSON, GENERAL COUNSEL; JOSEPH E. SHEEHY, DIRECTOR, BUREAU OF RESTRAINT OF TRADE; DANIEL J. MURPHY, DIRECTOR, BUREAU OF DECEPTIVE PRACTICES; HENRY D. STRINGER, DIRECTOR, BUREAU OF TEXTILES AND FURS; SAMUEL L. WILLIAMS, DIRECTOR, BUREAU OF FIELD OPERATIONS; WILLIAM B. SNOW, ASSISTANT DIRECTOR, BUREAU OF INDUSTRY GUIDANCE; WILLARD F. MUELLER, DIRECTOR, BUREAU OF ECONOMICS; JOSEPH J. GERCKE, CHIEF, DIVISION OF COMPLIANCE; AND L. EDWARD CREEL, ACTING DIRECTOR, HEARING EXAMINERS

LETTER AND JUSTIFICATION

Senator MAGNUSON. The committee will come to order.

We will have this morning the Federal Trade Commission, and the Chairman is here, and the other officials and members of the staff, and we will put in the record in full those in attendance.

We will put, Mr. Chairman, your letter in the record in full and the justification for the same.

(The justification referred to follows:)

FEDERAL TRADE COMMISSION,
Washington, D.C., August 3, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of Independent Offices Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I have your letter of July 27, 1962, concerning the independent offices appropriation bill for 1963 for the Federal Trade Commission, as reported by the House Appropriations Committee.

We request that H.R. 12711 be amended on page 15, line 10, by striking "$10,720,000" and substituting "$11,845,000."

The increase of $1,500,000 for fiscal year 1963, which was recommended by the President, is predicated not only upon the already staggering workload which is rapidly increasing but also upon the fact that more applications for complaint are being received than can be handled by our staff. Pending investigations are now equivalent to approximately 2 years of work by the present staff.

The House report accompanying the bill states that the amount recommended recognizes the fact that a $2,335,000 increase was granted a year ago, and further, that there were 70 unfilled positions in the authorized staff at the time of the hearings which was January 26, 1962.

You will remember, however, that only $1,420,500 of the 1962 increase was for the regular programs of Federal Trade Commission and the remaining $915,000 was appropriated to comply with the Attorney General's request that the Commission conduct investigations into selected court decrees of antitrust law violations. No increase in this program is requested for 1963. The 70 vacancies were filled prior to June 30, 1962. The delay in filling these positions was caused primarily by our inability to procure space in which to house these employees.

The reduction of $1,125,000 proposed by the House amounts to a reduction of 75 percent of the Commission's requested increase which was recommended by the President. This reduction would eliminate 150 positions which must necessarily be reflected in all of the law-enforcement programs planned for 1963.

The Commission's workload continues to increase. In fiscal year 1962 applications now underway involve substantial numbers of suppliers to chain food stores, of the increased personnel made available by additional funds appropriated in 1962, pending investigations on June 30, 1962, totaled 2,872—an increase of 129 over June 30, 1961. Likewise, our formal caseload increased from 481 to 527 during fiscal year 1962.

In line with the Commission's current policy of challenging unlawful practices on an industrywide basis, where practicable, rather than by proceedings against individual respondents, there are a number of proceedings now in progress which involve all, or substantially all, of the principal firms in a number of different industries. For example, the Commission, through the use of authority provided in section 6 of its act, obtained information indicating that a substantial number of suppliers of wearing apparel to large department stores may be violating section 2 of the Clayton Act by granting discriminatory allowances. Rather than proceed against the firms on an individual basis and thus create competitive inequities, the Commission is affording all of these suppliers the opportunity to agree to an order to cease and desist. Other project-type investigations now underway involve substantial numbers of supplies to chain food stores, manufacturers and distributors of prescription drugs and drug products, vendors of antibiotics used in the treatment of mastitis in cattle, vendors of medicinal preparations offered for the relief or treatment of hemorrhoids, advertisers of products offered for the prevention, relief and treatment of coughs and colds, sellers of reducing devices, advertisers making survey-type representations, sellers of food plans, and others. Other project-type proceedings are in the planning stage.

The proposed reduction in the Commission's budget request will necessitate substantial curtailments of these project-type proceedings to the serious detriment of the public interest, including the consuming public and important segments of the business community.

On June 1 of this year, the Commission adopted procedures providing for advisory opinions. It is now the policy of the Commission to afford businessmen assistance in determining in advance whether a proposed course of action, if pursued, may violate any of the laws administered by the Commission. We have set up a division in our Bureau of Industry Guidance to handle requests

for the Commission's views on proposed courses of action. Extensive use is being made of this service by businessmen. Planned staffing of this important program will be materially affected by the proposed reduction.

The Commission is being urged to develop new programs and to expand and strengthen existing programs to directly protect the consumer interests. The extent of our additional efforts in this direction must depend on additional funds.

I have been advised that my appearance before your subcommittee has been scheduled for August 14, 1962. I shall welcome the opportuntiy to present more detailed explanations of our needs.

Sincerely yours,

PAUL R. DIXON, *Chairman.*

Obligations by activities

	Actual, fiscal year 1961	Allotment, fiscal year 1962	Requested, fiscal year 1963	Increase, fiscal year 1963
Antimonopoly:				
Investigation and litigation	$3,446,800	$3,974,000	$4,773,000	$799,900
Economic and financial reports	616,400	735,000	817,000	82,000
Trade practice conferences, industry guides, and small business	133,400	154,000	166,000	12,000
Compliance investigations for Attorney General		915,000	9223,000	8,000
Deceptive practices:				
Investigation and litigation	2,003,400	2,324,000	2,638,000	314,000
Trade practice conferences, industry guides, and small business	266,800	308,000	332,000	24,000
Textile and fur enforcement	607,000	961,000	1,129,000	168,000
Lanham Act and insurance	5,000			
Executive direction and management	468,700	504,000	548,000	44,000
Administration	455,500	470,000	519,000	49,000
Total obligations	8,003,000	10,345,000	11,845,000	1,500,000
Unobligated balance no longer available	6,500			
Appropriation	8,009,500	10,345,000	11,845,000	1,500,000

Obligations by object

		Actual, fiscal year 1961	Allotment, fiscal year 1962	Requested, fiscal year 1963	Increase or decrease
01	Personal services	$6,718,900	$8,373,000	$9,610,000	$1,237,000
02	Travel	313,400	602,000	725,000	123,000
03	Transportation of things	6,800	12,000	18,000	6,000
04	Communication services	95,300	91,000	123,000	32,000
05	Rents and utility services	44,400	220,000	120,000	−100,000
06	Printing and reproduction	73,100	50,000	60,000	10,000
07	Other contractual services	154,800	255,000	303,000	48,000
08	Supplies and materials	95,800	111,000	150,000	39,000
09	Equipment	71,400	86,000	110,000	24,000
11	Grants, subsidies, and contributions	423,000	542,000	621,000	79,000
13	Refunds, awards, and indemnities	3,000			
15	Taxes and assessments	3,400	3,000	5,000	2,000
	Total	8,003,300	10,345,000	11,845,000	1,500,000

Object classification on new account basis

		Actual, fiscal year 1961	Allotment, fiscal year 1962	Requested, fiscal year 1963	Increase or decrease
11	Personnel compensation:				
	Permanent positions	$6,693,900	$8,343,000	$9,585,000	$1,242,000
	Other personnel compensation	25,000	30,000	25,000	−5,000
	Total, personnel compensation	6,718,900	8,373,000	9,610,000	1,237,000
12	Personnel benefits	491,200	629,500	719,500	90,000
21	Travel and transportation of persons	319,200	614,000	747,000	133,000
22	Transportation of things	6,800	12,000	18,000	6,000
23	Rents, communications, and utility services:				
	Rents	44,400	220,000	120,000	−100,000
	Communications	95,300	91,000	123,000	32,000
24	Printing and reproduction	73,100	50,000	60,000	10,000
25	Other services	35,400	42,000	43,000	1,000
	Clinical testing	21,200	80,000	100,000	20,000
	Stenographic reporting	30,400	36,500	44,500	8,000
26	Supplies and materials	95,800	111,000	150,000	39,000
31	Equipment	71,400	86,000	110,000	24,000
	Total, obligations	8,003,100	10,345,000	11,845,000	1,500,000

APPROPRIATIONS, 1962, AND ESTIMATES, 1963

Senator MAGNUSON. The letter is short and you may want to read it. But for the record, the Federal Trade Commission in 1962, their appropriations were $10,345,000. The budget estimates for 1963 were $11,845,000. The House gave you $10,720,000, or $375,000 above last year's appropriations, but $1,125,000 under the budget estimates.

Mr. DIXON. Yes, sir.

Senator MAGNUSON. And I assume you want to address yourself to that. Do you have copies of this letter?

I think maybe if you would—the letter probably explains the whole thing to us.

AMENDMENTS REQUESTED

Mr. DIXON. I think it comes very close, sir. We will read it. It is very short.

DEAR MR. CHAIRMAN: I have your letter of July 27, 1962, concerning the independent offices appropriation bill for 1963 for the Federal Trade Commission, as reported by the House Appropriations Committee.

We request that H.R. 12711 be amended on page 15, line 10, by striking "$10,720,000" and substituting "$11,845,000."

The increase of $1,500,000 for fiscal year 1963, which has recommended by the President, is predicated not only upon the already staggering workload which is rapidly increasing but also upon the fact that more applications for complaint are being received than can be handled by our staff. Pending investigations are now equivalent to approximately 2 years of work by the present staff.

HOUSE REPORT

The House report accompanying the bill states that the amount recommended recognizes the fact that a $2,335,000 increase was granted a year ago, and further that there were 70 unfilled positions in the authorized staff at the time of the hearings which was January 26, 1962.

You will remember, however, that only $1,420,500 of the 1962 increase was for the regular programs of the Federal Trade Commission and the remaining $915,000 was appropriated to comply with the Attorney General's request that the Commission conduct investigations into selected court decrees of antitrust law violations.

Senator ALLOTT. Could I interrupt you there?
Mr. DIXON. Yes, sir.
Senator ALLOTT. I am sure the chairman is interested in this.
Senator MAGNUSON. Yes. Off the record.
(Discussion off the record.)

QUESTION OF ATTORNEY GENERAL'S BUDGET

Senator ALLOTT. Why should this not be a part of the Attorney General's budget rather than yours? In other words, why shouldn't you do this work, if you are going to do it, on a compensated basis for the Attorney General? What you are saying in effect here is that $900,000, $915,000 to be exact, was charged to you which was not your work.

Mr. DIXON. It is our work. I think I will try to explain it this way:

PROVISIONS OF FEDERAL TRADE COMMISSION ACT

When the Congress passed the Federal Trade Commission Act, a part of that act had language to this effect in it.

Upon the request of the Attorney General, it shall be the duty of the Federal Trade Commission to investigate any judgment or decrees that might have been obtained by the Department of Justice.

It shall be our duty. It is not a question of whether we want to. The Congress said you shall do it. It has been there for 48 years. It has only been used three times in its history until the time I came to the Commission.

OPINION OF CHAIRMAN OF COMMISSION

Senator ALLOTT. Let me ask you this question, then: In view of the proper accounting procedures, what is your personal opinion as to where this belongs? Does this belong in your budget, actually?

Mr. DIXON. It does, sir.

Senator ALLOTT. Or should this belong in the Attorney General's budget?

Mr. DIXON. I think it belongs in our budget, and I wish the earmarking would go away because we have 48 years of acquired backlog of lack of compliance work in our own field, and it is being handled—we have integrated this program into our work so that it is being done right where it should be with our compliance people. It is in a sense like the Budget Bureau recommends something and the Congress approving it, but saying it is earmarked. They gave us 56 cases that went back over 20 years, some of these cases cost millions of dollars to prepare and try, and we are out trying to investigate to determine whether or not the decree of judgment is being lived up to.

Senator ELLENDER. But you said you used this only three times?

Mr. DIXON. I say only three times in the history of the act has Justice requested the Federal Trade to perform this function for them.

Senator ELLENDER. What happened before? Did you do it anyhow?

Mr. DIXON. Before it was just one case.

Senator ELLENDER. One case. What did you do with the money appropriated for that?

NO APPROPRIATED FUND

Mr. DIXON. There was no money appropriated. It came out of the regular function of the Federal Trade Commission. But this time it came in such an amount, we either had to quit entirely what we were authorized to do and expected to do by the Congress and do nothing but the work that had been sent over, this new work from Justice, or else have an understanding that we were going to have some money somewhere earmarked and go out and get some people to do this with.

I am not quite sure which the wisdom should be, Senator, whether it should be a reimbursable money or what it should be.

This was discussed at the time the Budget Bureau made the recommendation. It was discussed by the House Appropriations Committee.

Senator ELLENDER. Maybe if you had to have reimbursement by the Justice Department, they wouldn't be so anxious to get you to do things like this.

Mr. DIXON. The Justice Department fully supports the program, sir.

Senator MAGNUSON. But if they had to pay for it——

Senator ELLENDER. If they had to pay for it, they wouldn't be so anxious.

Mr. DIXON. Well you may well have a point.

Senator ALLOTT. It would be very nice for me to be able to get something done in my shop if I could get you to do it and I didn't have to reimburse you for it.

Mr. DIXON. I will be perfectly honest with you, as I tried to be with the House Appropriations Committee. The employees we hired and that we have out doing this work are needed right now doing our other work. I wish it wasn't earmarked because I know in a year or so this might go away and somebody up here will say, you don't need this $900,000.

QUESTION OF EARMARKING FUND

Senator ALLOTT. Why shouldn't it be earmarked? It is really a more accurate reflection of your situation the way it is than if it were not earmarked.

Mr. DIXON. I wish it were this way, sir, that it would be said that we need these employees to do this job. If we weren't working on these 56 cases, I would have them working on 56 of ours, like the cement and the steel order and some of these things that we need to know a whole lot more about than we do.

Senator ALLOTT. Not to mention the milk.

Mr. DIXON. I got after the people working on milk.

Senator ALLOTT. All right. Let's move on.

Senator MAGNUSON. All right. But how much is in the budget for this work for 1963?

Mr. DIXON. The same amount.

Senator MAGNUSON. The same amount. And so you say that no increase in this program is requested for 1963.

Mr. DIXON. That is correct, sir.

Senator MAGNUSON. All right. Go right on.

DELAY IN FILLING POSITIONS

Mr. DIXON. "The 70 vacancies were filled prior to June 30, 1962." May I explain right there. In January when I was before the House committee, of course we had received the increase but the delay in filling these positions was caused primarily by our inability to procure space in which to house these employees. By April or May we had filled the vacancies.

Senator MAGNUSON. Now, are these positions now filled?

Mr. DIXON. They are, sir, and we even went beyond that. I am sweating blood down there because I was hopeful we were going to get money for more people and I had promised jobs to 50 young men that we had interviewed over 4 or 5 months from all the leading law schools in the country. I had to send them a telegram and tell them that they couldn't report until further notice. This has caused me a great deal of heartache because I kind of went back on my word to some of them, but I just couldn't put them on until we got the money.

TYPES OF EMPLOYEES

Senator MAGNUSON. Now, in these cases, do you hire mainly young lawyers?

Mr. DIXON. This is where we are getting most of our——

Senator MAGNUSON. That would be the most logical place to find this kind of employee.

Mr. DIXON. But this is not altogether true. We try to hire people who are qualified, sir. We hired a great deal of people, of course, over the past year.

Senator MAGNUSON. Would you have to hire accountants and auditors and things of that kind?

Mr. DIXON. Accountants, economists, statisticians, but predominantly we are a legal enforcement agency and predominantly they are lawyers.

Senator ELLENDER. What is your turnover among these young lawyers?

Mr. DIXON. It is too much, Senator.

Senator ELLENDER. I thought so.

Mr. DIXON. I had some statistics on this, but I could summarize it. I have a feeling every time we take two steps forward, we take one back.

Senator ALLOTT. You could walk backwards and make progress that way.

Mr. DIXON. I don't know whether it is progress to have a system where we hire young men, or even men with moderate experience, and after 2 years or so they understand what they are here for. They are ready to begin to pay off. After another 2 years, somebody hires them.

Now, we can't compete on money. We know that. And I have here, calendar year 1961, 133 attorney appointments, 55 attorney separations.

Senator ALLOTT. What year was that?

Mr. DIXON. 1961.

Senator ELLENDER. I guess many of those young lawyers hire themselves out in order to get through the starvation period.

Mr. DIXON. This could be, sir.

Now, I have reached the stage, and I want to say to you honestly what I am trying to do now is say to the young lawyer, although I know I can't ask him to sign a contract, I can ask him for his word. Will he intend to stay at least 4 years. I think we ought to be entitled to get at least 2 years' service out of him, and I am hopeful at the end of that time he will find something that he likes and he will stay. But I can give you an example. The head of one of my major divisions has been at the Commission now about 12 or 13 years and he is just about 40. He has four or five children to educate, like I have two to educate. He is no worse off than I am. He has maybe one more. But he was hired the other day at a sizable salary, about $25,000, and a promise.

Now, the big corporations and the big law firms are out going through the Federal Trade and the Department of Justice and they sometimes even call us up and tell us they are coming down there, and want to know if we have a recommendation for them. And I don't know what you can do about this, but we can't run this Government on second- and third-class talents, sir.

PROGRAM OF EDUCATION URGED

I have suggested wherever I have been that I wish the Congress would consider—I did it at the American bar in San Francisco last week—that I wish that they would get behind a program of some way or other trying to encourage, rather than raise salaries, a kind of a program of education, like you have endorsed health and retirement programs, maybe that could be shared in, to where anybody that will work for the Government could have a scholarship or money for scholarships for their children to go to college after a certain number of years, or something. This would keep the employee in the Government.

Senator ALLOTT. Mr. Dixon, I am not being entirely facetious when I say you have an easy solution to this.

Mr. DIXON. What is it?

Senator ALLOTT. Just brand it research with a fancy name on it and you will get all the money from Congress that you want, and more.

Mr. DIXON. We are not in that business, sir.

Senator ELLENDER. Tell me, to what extent do these young lawyers work on the outside?

Mr. DIXON. None. I have no conflict. If I catch one of them, I would put him in jail if it were in my power to do it.

Senator ELLENDER. I don't mean taking cases.

Mr. DIXON. None at all. I would fire them tomorrow if I——

Senator MAGNUSON. I want to suggest, Mr. Chairman, off the record——

(Discussion off the record.)

Senator MAGNUSON. All right. I think that the committee understands this problem. I am glad we had this discussion because——

Mr. DIXON. It affects every agency that comes before you.

Senator MAGNUSON. Well, ICC has got this problem. The CAB. Even the Maritime Board, transportation, which is a highly specialized field.

Mr. DIXON. That is correct.

ENFORCEMENT OF CONGRESSIONAL ACTS

Senator MAGNUSON. Very complex. And now in the meantime, when you mentioned about the difference, I think you ought to put in the record, we have recently, because they all come out of my committee, I offered some of them, we passed the fur labeling bill.

Mr. DIXON. That is correct. There were four of those acts.

Senator MAGNUSON. The wool labeling bill.

Mr. GLENDENING. Flammable fabrics. Fabrics identification.

Senator MAGNUSON. Fabrics identification, and there is a fourth one.

Mr. GLENDENING. Flammable fabrics.

Senator MAGNUSON. And that was my bill, and the fur labeling was my bill. Four of these that required a lot of extra work.

Mr. DIXON. And I can show you what that group is doing. I made a new enforcement bureau just for those four bills. Now, heretofore they were just over in a general bureau, and these men are doing well. I saw the men that were in the three field offices on the west coast. I just was with them. And we need more of this type people to go out and make these inspections.

Shall I go on and finish the letter?

Senator MAGNUSON. Yes. Go right on.

EFFECT OF HOUSE REDUCTION

Mr. DIXON. To continue:

The reduction of $1,125,000 proposed by the House amounts to a reduction of 75 percent of the Commission's requested increase which was recommended by the President. This reduction would eliminate 150 positions which must necessarily be reflected in all of the law-enforcement programs planned for 1963.

Senator, may I say just something right there?

Senator MAGNUSON. Yes.

FUNDS FOR RAISES FOR GOOD PERFORMANCE

Mr. DIXON. Before I came to the Commission, no one ever has come to the Budget or the Congress and said, I would like to have so much money to raise the employees that I already have. You hire a young man at 50-some-odd hundred dollars. If he is performing, you have to move him or he will go look for another job.

Now, each time we come, we ask for money in new positions, and to get the money to raise somebody, you actually have to cannibalize in a sense some of the positions, and it is a good question when we come back, what did you do with all that money?

Well, we hired so many and we raised so many.

Now, unfortunately, all of the men that leave aren't the lowest paid men. Sometimes they are high paid. I think that ought to be taken into account.

USE OF RETIREMENT FOR POSITION CONTROL

Senator ALLOTT. While you were talking about cannibalizing, you have got seven men who are slated for retirement this year. You had eight men last year. Fifteen men the year before.

Now, we have been talking to all of the agencies, Mr. Dixon, about utilizing these retirements as a basis of upgrading, reshuffling, and reorganizing your shops.

Mr. DIXON. That is right.

Senator ALLOTT. And we hope that you will do the same thing with yours.

Mr. DIXON. Each time that happens, obviously we do this.

Senator MAGNUSON. Sometimes you can get along without hiring an extra one.

Mr. DIXON. That is correct.

Senator MAGNUSON. Use the retirement to consolidate as good businesses do every once in a while rather than following out Parkinson's law; and when one guy on top retires, you add two more down below and you add two more bodies which don't get as much done.

Mr. DIXON. Usually, whenever a man retires from one of these agencies, he has usually 30-years-plus, and he usually has been in a responsible place up near the top, if not at the top, and must be replaced. It is like dominoes, one goes out and you have to move them up, like in the Army.

Senator MAGNUSON. You can use this as a good reason to reorganize the shop and get just as much done.

Mr. DIXON. I agree.

Senator ALLOTT. Reorganization is what we are thinking of as well as the additional personnel. Too often exactly what you have stated happens—that is, one man retires and everybody in that little niche moves up one, and you don't necessarily get any change, whereas actually you have had an opportunity to use that retirement as a basis for reorganizing and doing some shifting of personnel to give you greater efficiency with less people.

Mr. DIXON. Since coming here last year we have now done what we promised you we would do, promised you last year. We reorganized and not with a purpose to fire, but with a purpose to center responsibilities and shorten this lag which is what we are after. We have done this and changed our rules to make some of these things flow.

Senator MAGNUSON. All right.

INCREASING WORKLOAD

Mr. DIXON (continuing):

The Commission's workload continues to increase. In fiscal year 1962 applications for complaint rose from 4,886 to 6,970, an increase of 42.7 percent.

Off the record.

(Discussion off the record.)

Mr. DIXON:

In spite of the increased personnel made available by additional funds appropriated in 1962, pending investigations on June 30, 1962, totaled 2,872—an increase of 129 over June 30, 1961. Likewise, our formal caseload increased from 481 to 527 during fiscal year 1962.

These are the cases in the mill and actually being tried in adversary proceedings.

PROCEEDINGS BEFORE COMMISSION

In line with the Commission's current policy of challenging unlawful practices on an industrywide basis, where practicable, rather than by proceedings against individual respondents, there are a number of proceedings now in progress which involve all, or substantially all, of the principal firms in a number of different industries. For example, the Commission, through the use of authority provided in section 6 of its act, obtained information indicating that

a substantial number of suppliers of wearing apparel to large department stores may be violating section 2 of the Clayton Act by granting discriminatory allowances. Rather than proceed against the firms on an individual basis and thus create competitive inequities, the Commission is affording all of these suppliers the opportunity to agree to an order to cease and desist. Other project-type investigations now underway involve substantial numbers of suppliers to chain foodstores, manufacturers and distributors of prescription drugs and drug products, vendors of antibiotics used in the treatment of mastitis in cattle, vendors of medicinal preparations offered for the relief or treatment of hemorrhoids, advertisers of products offered for the prevention, relief, and treatment of coughs and colds, sellers of reducing devices, advertisers making survey-type representations, sellers of food plans, and others. Other project-type proceedings are in the planning stage.

Off the record.

(Discussion off the record.)

CURTAILMENTS NECESSARY UNDER CUT

Mr. DIXON (continuing):

The proposed reduction in the Commission's budget request will necessitate substantial curtailments of these project-type proceedings to the serious detriment of the public interest, including the consuming public and important segments of the business community.

ADVISORY OPINIONS

On June 1 of this year, the Commission adopted procedures providing for advisory opinions.

This is the first time in 48 years of this Commission that it has offered to the American businessman what the framers and the sponsors of the law suggested should be done, that a place should be created where the businessman could get some advice on his problems before he got sued.

It is now the policy of the Commission to afford businessmen assistance in determining in advance whether a proposed course of action, if pursued, may violate any of the laws administered by the Commission.

Senator MAGNUSON. Let's stop right there. If I am in the retail business, let us say, or—well, a manufacturer of one of these things you talked about up in the other paragraph, and I want to put out a product and I have got a label ready or proposed label, proposed layout maybe for advertising, I could ask the field office, wherever, say Seattle, for instance, is this all right? Will this violate any law?

Now I understand that the Trade Commission people will say it does or does not violate. It is my opinion it does or does not.

Mr. DIXON. That went on for 48 years. In my personal opinion it does or does not.

Senator MAGNUSON. But then the fellow says to you, or I say to you: "Let's go back." Supposing he says they think this does come pretty close to the line, might violate the law. Then the fellow says, naturally: "What do you suggest I do?" Do they follow through and tell him that?

Mr. DIXON. They do if it is asked for.

COMPLIANCE PROBLEM

Senator MAGNUSON. If it is asked for. It used to be the reverse. What I mean is, they wouldn't suggest, and I have had many business people say to me: "Well, we don't know just what to do. You know,

we want to comply and we want to know just what we should do to comply."

Mr. DIXON. This creates a real problem, you know.

Senator MAGNUSON. How far they can go.

Mr. DIXON. How far they should go.

Senator MAGNUSON. In advising them.

Mr. DIXON. Because this is a lawyer's job on the outside. This is the advertising agency's job. Congress didn't want us to be running everybody's business. We are here to say what is fair or what is deceptive.

Senator ALLOTT. Then you are in a position also, and this is a problem, where if you give the decision and say in your opinion this does not, we will say, violate the law, then the question may be raised later where you would have to be in effect the judge upon the decision that you had already made.

Mr. DIXON. What we have done now, sir——

Senator ALLOTT. Isn't that right?

Mr. DIXON. We have gone beyond and we have done something I think the businessman was entitled to, sir. This is what we have said. We have now said here instead of the man in Seattle giving this, now we do it and we would get all the information from this person and it would come to the Federal Trade Commission and we five Commissioners—now, sir, we five Commissioners by direction say to this businessman, if he does it we won't proceed, and we say to him that he can depend on this. We won't trap him. If we change our minds we will give him a chance to change and come into conformity before we proceed.

We think the American businessman is entitled to this. We don't know whether we are going to be smart enough or whether we are going to be able to handle this avalanche that is coming toward us, but we are going to try. I want to tell you that. And I have talked to the representatives that ranged from small to big, all the way across this country. It has been received with a great deal of appreciation, and so even the time I was before the House in January, we were going forward. I was trying to get this plan put together to sell. We finally got it. It was adopted and, as I said, became effective June 1.

PERSONNEL NEEDED

Now I have got the machinery sitting down there, but everything we try to do, it takes people. I mean, we don't have anything, any contracts to let or any programs to do. Our money is spent in people and that is the only way we can proceed.

Senator MAGNUSON. I am pleased to hear that you are starting on this. I understand the many problems involved, but it seems to me the American businessman is entitled to this because I have had many cases where they have come to me and they were at a loss to know just what to do to comply, and I am glad you are starting on this. I can understand the problems.

Mr. DIXON. A man can spend—you know, a man that buys an advertising layout, it could run into a quarter of a million dollars. It is a business gamble. Suppose he spends that money and then we come along and say, that is wrong. It has got to be changed.

Well, now, if he is in good faith and he will bring us all his records to substantiate that, we will lend him what little expertise we have to try to give a decision.

BUREAU OF INDUSTRY GUIDANCE

We have set up a division in our Bureau of Industry Guidance to handle requests for the Commission's views on proposed courses of action. Extensive use is being made of this service by businessmen. Planned staffing of this important program will be materially affected by the proposed reduction.

The Commission is being urged to develop new programs and to expand and strengthen existing programs to directly protect the consumer interests. The extent of our additional efforts in this direction must depend on additional funds.

I have been advised that my appearance before your subcommittee has been scheduled for August 14, 1962. I shall welcome the opportunity to present more detailed explanations of our needs.

NATIONAL ASSOCIATION OF RETAIL GROCERS

Senator MAGNUSON. Now, Mr. Chairman, I want to put in the record here first the letter from the National Association of Retail Grocers which points up the need for having enough people to do the job because they say that most of the members of this very fine association have become victims of violations, and they think that you should have this. We will put that in the record.

(The letter referred to follows:)

NATIONAL ASSOCIATION OF RETAIL GROCERS OF THE UNITED STATES,
Chicago, Ill., August 6, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Committee on Appropriations, Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: The National Association of Retail Grocers representing community food retailers urges that the Federal Trade Commission be granted its full requested appropriation as approved by the President for the coming year.

We take this position because there are many violations of the antitrust laws taking place in food distribution. Most of our members are victims of these violations. As such, they have a direct and immediate interest in the efficient enforcement of such laws.

The Federal Trade Commission has a heavy burden of responsibilities administering and enforcing the Clayton Act, the Federal Trade Commission Act and various additional trade regulation laws. A substantial percentage of its antimonopoly investigations and pending cases involve numerous types of violations in the food distribution industry.

One of the most serious economic problems in food distribution today is the growing concentration of economic power at the retail level. Because of this, a large number of harmful trade practices are taking place. These practices injure competition and destroy competitive opportunities for independent retailers.

The major purpose of the Clayton Act and the Federal Trade Commission Act is to prevent injuries to competition before they take place. To carry out this intent of Congress, it is necessary that the Federal Trade Commission have an adequate staff and sufficient resources to secure compliance with the law without undue delay. Since prevention of injury to the competitive system is a major responsibility of the Federal Trade Commission, it is clear that timely action in bringing about compliance is essential. The Commisson must act with speed to carry out its responsibility.

We understand that the House of Representatives has cut the Commission's appropriations by $1,125,000. This amounts to 75 percent of the requested increase for the next fiscal year. Unless this reduction is restored, and the Commission receives its requested appropriation of $11,845,000, we believe the regular work of the Commission will suffer.

For these reasons, we urge that your committee approve the appropriation for the Federal Trade Commission as recommended by the President.

Respectfully submitted.

HENRY BISON, Jr., *General Counsel.*

PROBLEMS OF DRUGS

Senator MAGNUSON. Now, there has been a great deal said, Mr. Chairman, recently, in the Congress and by the administration and in the public, in the field of drugs.

What authority does the Trade—and we have several bills pending. What authority does the Trade Commission now have to deal with misleading, not only advertising but misleading distribution, not for sale, of drugs?

Mr. DIXON. Well, going back a bit——

Senator MAGNUSON. Let's clear this point. Does your authority extend to things not for sale?

Mr. DIXON. Well, I would doubt that.

Senator MAGNUSON. This is what I am wondering.

Mr. DIXON. In other words——

Senator MAGNUSON. In other words, if a drug company——

Mr. DIXON. We have no——

Senator MAGNUSON. If a drug company gave me, Dr. Magnuson, a drug and said, here, you can have this and maybe you want to use it on your patients for a certain thing, and that is misleading——

WHEELER-LEE AMENDMENT

Mr. DIXON. The Wheeler-Lee amendment was passed in 1938 and added sections 12, 13, 14 and 15 to the Federal Trade Commission Act and added new language in section 5 of the act, it read originally "unfair methods of competition in commerce are hereby declared unlawful," and then the words were added "unfair methods of competition and unfair acts or practices in commerce are declared unlawful."

Now, of course, with respect only to food, drugs, devices or cosmetics, the Wheeler-Lee amendment added sections 12, 13, 14 and 15. That went toward false and misleading advertising specifically of those classes of products. It extended our jurisdictional basis. It also brought into the Federal Trade Commission Act the need to protect the consumer as well as the competitor, the businessman.

Senator MAGNUSON. Yes. Well, clearly when an article is for sale, you have all the authority you need.

Mr. DIXON. In commerce, yes.

Senator MAGNUSON. But I am wondering whether you do have authority to move when an article is widely distributed but not for sale.

HIATUS IN SECTION 15 OF BILL

Mr. DIXON. We found when I was over with the Senate, with the Senate Antitrust and Monopoly Subcommittee, when the drug investigations were held there, that on prescription drugs you are talking about, what goes to a doctor, the doctor orders it but he doesn't buy it, it is—the effect is given——

Senator MAGNUSON. Or he is given a sample.

Mr. DIXON. That is correct, sir. Now, section 15 of the Federal Trade Commission Act has a kind of a blind spot in it, and part of

the legislation that is up here before you now, I think it was Congressman Dingell who put a bill in which has been endorsed several places which would take the hiatus out of section 15 because——

Senator MAGNUSON. Well, what I am getting at, and I wish you would have your General Counsel advise this committee, if and when we discuss these many various pieces of legislation on drugs, if there are these loopholes, that you ought to suggest to us amendments or language that would clear it up.

EXCERPT FROM SECTION 15

Mr. DIXON. Well, now, you see this is close to it. Part of section 15 presently has this language in it. This sentence I am reading from the act:

> No advertisement of a drug shall be deemed to be false if it is disseminated only to members of the medical profession, contains no false representation of material fact, and includes or is accompanied in each instance by truthful disclosure of the formula showing quantitatively each ingredient of such drug.

Now, this, of course, would be qualified by section 12, by, say, 12(a)(2), which would say:

> By any means for the purpose of inducing or which is likely to induce directly or indirectly the purchase in commerce.

See? So it is tied back to purchase of food, drugs.

FAILURE TO DISCLOSE DRUG EFFECTS

But going back to my own experience, it was found that doctors could be misled by the failure to disclose something material, and something material might be a side effect. And so there is a bill that has been introduced to change that sentence to where it would be considered a violation of law unless in connection with the attributes of a drug they did not tell them, the doctor, the side effects of the drug also. See? So the doctor would be properly informed before he would write the prescription for the person to purchase. That was the purpose.

Senator MAGNUSON. Well, the reason I ask these questions, as far as I am concerned I want to be sure that you have ample clear-cut authority to handle these things if and when you run into a case.

RESPONSIBILITY FOR ADVERTISING

Mr. DIXON. I think the thing that from our standpoint I would recommend is certainly that you watch very carefully, and this would be again a decision for the Congress, we have always had complete responsibility for advertising wherever it appeared. Even if it appeared on the label, we had it. But when you passed the Food and Drug and Cosmetic Act in 1938, you re-created a responsibility in the Food and Drug Administration to proceed against false labeling, only labeling, see?

Senator MAGNUSON. That is right.

LIAISON WITH FOOD AND DRUG ADMINISTRATION

Mr. DIXON. Now we have a workable liaison with Food and Drug. I have been over there recently with them to reconstitute this thing, so we are doing everything we can for the public interest. But no

duplication. We try to stay out of it. We stay away from the label except in certain instances where they cannot——

Senator MAGNUSON. Now, let's get this. They do the analysis to be sure that the label—what is in the bottle or what is in the sack——

Mr. DIXON. They are required by law for safety purposes.

Senator MAGNUSON. Yes. They do that. So that you would have to rely upon them to tell you that there is in the bottle or the container what it says on the label.

MEDICAL STAFF NEED

Mr. DIXON. We use our own medical staff which we need. We use the outside. We use Food and Drug doctors, Veterans' Administration, NIH, wherever we go, because we have the burden. A man can say it. We have to disprove it. He doesn't have to prove he is right. We have to prove he is wrong, and somebody has got to spend a lot of money testing and bringing together the expertise opinion, medical opinion, if it is a medical controversy.

LACK OF ADEQUATE STAFF

Senator MAGNUSON. But what happens sometimes, as you know, Paul, some of this trouble is due to the lack of proper help in both Food and Drug and the Trade Commission. Sometimes a manufacturer of an article does his analysis, presents his analysis and the label and the side effects, whatever they may be, and that has to be accepted because there could be no check on it.

DIXON. I know that, and then the cost of the——

Senator MAGNUSON. Many of the manufacturers are perfectly honest about it, but I know that habitually Food and Drug has accepted on certain occasions the products of certain manufacturers because they have been thoroughly honest in their analysis, but they have a tendency to want to sell their product, don't they?

Mr. DIXON. That is right.

Senator MAGNUSON. That is only human.

SALARIES OF DOCTORS

Mr. DIXON. Well, somebody went to sleep in my agency before I came there and failed for some strange reason to recognize that we need, for instance, a good, competent staff of medical doctors, for instance. We have a very fine competent staff now, but there is a terrific shortage of medical doctors. The most I can pay a medical doctor at the Federal Trade Commission is grade 15. This is $13,000.

Well, a blind man with one eye and four fingers cut off can get out of medical school today and make $20,000 practicing medicine. So how do you think you are going to get a doctor to come to the Federal Trade Commission and help us?

We have got to do something to get back on this super list to pay doctors to get competitive here. But we are workingmen like Dr. George Dobbs sitting here—if we didn't have Dr. George Dobbs down there, I don't know what we would do because when we get these difficult questions, we have got to have somebody, as you remember, Senator Ellender, when you got a law case that involved medical terms, you had to have somebody to either teach you or help you or you were in trouble.

QUALITY OF DRUG ITEMS

Senator ALLOTT. Can I ask you a question on the drug situation?

You have on the shelves of various druggists a certain brand of vitamins. Now, you pick up various magazines and you see comparable vitamins at one-fourth or one-half the cost of the ones on the druggist's shelf.

Recently I had occasion to examine two vitamins, one of which sold at $7.50 at most drugstores, and one of which sells at $3.50 in one of the local drugstores.

On the outside they have the same or almost identical characteristics. Generally speaking do these vitamins have the same qualities or not?

Mr. DIXON. If that is Food and Drug, they have a little harder job, I believe, than what is called the proprietary as against the ethical, the prescription drug. Many of the vitamin products, vitamin B_{12} or proprietary, on the shelf, the public purchases. As to how much testing they might have to do for advance approval, I don't think they would have an opportunity to do much, if any. The drug would have to be picked up if they had some reason to believe it was not safe. But if it states on there that it has certain—this would be under the pharmacopoeia, USP class, so much of this and so much of that, this would be a violation of the labeling act if it didn't have that much in it, and if it had that much in it, it would be just as good, if you paid $3 for it, as if you had paid $40 for it. This would seem quite true.

Senator ALLOTT. I assume if it was false labeling the Drug Administration would pick that up.

Mr. DIXON. It is entirely possible that it would be picked up.

Senator ALLOTT. Or should.

Mr. DIXON. Or should.

Senator ALLOTT. In time.

Mr. DIXON. If they had adequate people to pick up all of them, that is correct.

H.R. 8830 AND S. 2552

Senator ALLOTT. I would like to ask you a couple of questions, if I can, about H.R. 8830 and S. 2552. I discussed this question with you last year, Mr. Dixon, and my recollection is that you stated to me that you felt that in order for you to accomplish your work properly, you were going to have to have additional authority to issue cease-and-desist orders in the first instance.

Now, I have two letters here, one of which is from the Rocky Mount Oil & Gas Association, and I might say that they—I know a great many of them personally. They are a very high-quality group of people. They are genuinely concerned with the oil and gas in the Rocky Mountain region, in direct opposition to this. In fact, they passed a resolution at their meeting in June stating this opposition.

I also have a letter from a smaller group, saying that—and they are oil people, too—they feel the same way. But I also have letters asking for just the sort of relief the cease-and-desist order could give.

I am torn between my feelings as a lawyer, that everybody should have an adequate recourse at law, and the fact that as in the dairy situation in Denver, the hearings on which I understand are starting today, if there is a violation of the Federal Trade laws, that a man

may be—the small man may well be out of business and forgotten about before the matter can ever come to a court for final adjudication. This is the situation with our small independent dairy producers in Denver today.

I would like to have you comment on this question.

USE OF INJUNCTION

Mr. DIXON. I would be very happy to, sir. You are correct. When I was here before I did make that suggestion and recommendation to you. You recall the President endorsed this piece of legislation, not once but twice. I have been before a hearing of the House Commerce Committee on the hearing now. It is controversial, sir. I think any time any agency or any arm of our Government is cloaked with any kind of a temporary injunction power, it should only be used in the most extraordinary circumstances and with assurance that due process and safeguards are in the law.

PROVISIONS IN CEASE AND DESIST ORDERS

In this last bill that was introduced it was made perfectly clear that the Federal Trade Commission could only proceed within the framework of due process by doing several things, that after or before they issued a complaint, or afterwards, that it would have been made plain that it was in the public interest and as a matter of record, it would have to be shown that unless a temporary cease and desist order was issued, irreparable harm and injury would flow from the practice during the course of trial.

Then a further safeguard was put into this bill that they are talking about. It would not become effective when the Federal Trade Commission issued this order. It would become effective when approved by the Circuit Court of Appeals. We would either take it up for enforcement and review or the court would take it up on review itself.

COMMISSION ONLY QUASI-JUDICIAL

Now, this is consistent with the creature you created, the administrative law. We find fact, not law. We are quasi-judicial. The court puts the stamp upon it. This is the reason we can wear the hats, as they say, the sheriff, the grand jury, and a kind of judge, but not the judge as traditionally the law court is.

We have to have judicial review.

Now, I thought those were in the law, and it is quite true when I spoke out for this, I thought that a voice should be brought to you people. It is your decision. This is—nobody down the street can make it. The small businessman is disappearing. We have laws but it does take a long time to get through with one of these things.

HOPES OF SHORTENING CASES

Now, we have reorganized and change our rules to do the best we can. We may be able to shorten the case that has been taking 5 or 6 years and pull it down to 3 years. But I will assure you that if in the State of Colorado there are business people that are being subjected to sales beneath cost, beneath their cost and beneath somebody else's

cost, and every time he sells something, whether it is milk or potatoes or whatever it is, he is losing money, he is not going to be around 3 years while we sue this big national party that is in that area just turning the screw on that litle fellow, see?

Now, I don't know what the answer to it is. I know a cease and desist order after 2½ or 3 years will not restore that businessman. And he won't even have the money to hire himself a lawyer and sue for triple damages. Sometimes he is afforded the opportunity to sell out when he knows he is going broke, and the big guy that drove him into this position then says that he has a defense to the merger law because under the merger law he can't buy someone that would tend toward monopoly unless that person is tending toward bankruptcy.

Well, he is already tending that way, see? And so it is a kind of a hard game.

But I don't know why some people do these things, sir. I have no answer. All I know is that we receive thousands of complaints that they are happening. It takes good people, good people to scramble. I don't believe we have all the tools that are necessary. This would be the ultimate tool. And you gave us——

Senator MAGNUSON. This is why the Retail Grocers Association sent this letter in.

Mr. DIXON. I am quite sure that must have had something to do with them because they are subject to all—they don't have the tremendous purchasing power of some of the other giants that they compete with. They can't take care of themselves. They must turn to orderly law if they are going to turn anywhere.

Senator ALLOTT. Then your position in this matter is substantially the same as it was last year.

Mr. DIXON. It is, sir.

CHANGES IN MILK INVESTIGATION

Senator ALLOTT. And I would like to mention the matter I took up recently with you—with respect to changes in plans in your investigation of the milk situation. It would be my hope that you would be able to keep the Senators informed of these changes, particularly of these matters that are really of vital concern. I discussed this matter with you with respect to the State of Colorado. Senator Magnuson and Senator Ellender, I am sure, have very similar problems in their own States, although I am not personally acquainted with their problems. And although I know that the milk problem has existed in a dozen places——

Mr. DIXON. It has, sir, and I think I should not bore you or take your time but I would answer your inquiry on this public hearing thing.

RIGHT TO DEMAND ANSWERS

Much was written, and many of the Senators I know—I answered you, Senator Magnuson. A letter was written to me on this. You created the Federal Trade Commission and you gave to the Federal Trade Commission, the only agency in this Government, your congressional power of investigation. This is it. You gave it there. Quasi-legislative. There it is. We have the right by using section 6 or investigational hearings to force people to come in and answer ques-

tions. But you also wrote into the law that if we force anyone in, we immunize them. We cannot—in other words, you bring anyone in, they cannot be criminally prosecuted.

NO PUNITIVE POWERS

Now, we have no punitive power. All the power we have is cease and desist. So no one can pay any punitive fine or anything from a proceeding of the Federal Trade Commission.

Now, we have, I assume, two responsibilities: One, the principal responsibility is to the Congress which created us because yours is the obligation to regulate commerce, not us. You create us to help you do your constitutional requirements.

Now, then, you gave us a law to enforce besides investigating, and then if we investigate, if we find reason to believe that one of these laws is violated, we proceed. But suppose we find that the law is not adequate, that you should know something about it.

RESULT OF EXECUTIVE HEARINGS

Now, if we have what is called executive hearings or closed hearings, we can only recommend to you. We can't send you, even the Congress, the record. The record is locked up from you. The very thing that you need to know is taken away from you by virtue of the fact that we went into a room and closed the door. And so we had said this is such a broad practice we are not sure the law is adequate here on sales beneath cost, for instance. And with all the conflicting laws that you know about, Senator Ellender, the milkshed order and all the various things that come in, the various State laws, we know that you should know about it.

PUBLIC HEARINGS

Now, we set out to hold them in public and then all the devil broke loose. We were accused of violating everything in the Constitution, and unfairness, and everything, although the Supreme Court in the *Larche* case (363 U.S. 420 (1960)) had passed on such an investigation, holding that there is no violation of due process, and you can't reduce that to an adversary proceeding. But the bar made much of it and we were willing to go on and have it decided by the court. But then we realized we had another obligation. The court wasn't going to decide it quickly enough. The last thing we found out is a judge in Chicago, passing on a temporary restraining order in that court, rather than doing it within 10 days, he had extended it way up until September before he was even going to pass on it.

So we said, "Well, we will just draw back and change this to executive because we don't know but what we might find law violations and we have got to do a better job than wait becase you can't wait forever when these are going on." We tried. We have surrendered. But that question will eventually have to be resolved.

Now, it was in that context——

Senator ALLOTT. Why do you say the results of, the record of, executive hearings is not available to Congress?

COMMISSION MUST ACT TO MAKE TESTIMONY PUBLIC

Mr. DIXON. Well, I am not sure—in other words, it would take an action of the Commission to make it public. I think that is making it public. I am not sure. I am not certain. This has been a practice. I am not certain whether it is good, sound, or what is going to have to be done.

Senator ALLOTT. It may have been a practice, but let's don't get off on the other tack that there is anything that occurs over in your Commission that the Congress cannot get to.

Mr. DIXON. That has been my practice. Any time a committee of the Congress asked for it, say, you can look at anything we have. There it is. Look at it.

Senator ALLOTT. I just want to get your previous statement straight.

Mr. DIXON. I was trying to get it this way. If we made a recommendation to the Congress and we came to testify, I would have to be alluding to something that had been locked up and somebody would say, well, that is not fair to do that. If you are going to do things like that, we should have had a right to call witnesses and cross-examine and do all these things. These are some of the things I have seen that the Congress criticized in investigations, too. It is a problem of investigations. But I think basically, sir, an investigation is fairer in public, and I tell you for another reason why I think so. If you call a person in public, then anything he says, anybody in the public has access to. He may say something that somebody else disagrees with and he wants to appear and correct the record.

If you call him in private, another party cannot see what the other fellows said. And when you get at the end of the thing, you have various conflicts to judge, instead of having a complete record.

CONDUCT OF PUBLIC HEARING

Senator ALLOTT. Now, in the public hearings counsel—the parties may have counsel.

Mr. DIXON. That is correct, sir.

Senator ALLOTT. And they may call their own witnesses.

Mr. DIXON. No, sir.

Senator ALLOTT. They may not call their own witnesses?

Mr. DIXON. They may not. They may under our rules state objections and advise the party that they have——

Senator ALLOTT. Would this be helped if they were entitled to call their own witnesses?

Mr. DIXON. It would completely make a nullity of the process and reduce it to an asinine proceeding. You may as well just go on and sue them and go fishing because if—and this is what the lawyer wants, too. This is what he wants. He wants to reduce that to where he wins every time. I am not so sure he is serving the public interest fully when he asks for that.

Senator ALLOTT. Well, if I were a lawyer and represented one of these people, I am sure that I would feel I was serving my client's interests by requesting such a thing, and I don't criticize him for that, although the statement you make, that it would destroy the proceeding, may probably be true.

DENVER MILK HEARING

One other question as to your private or executive hearings, such as you are now holding, and I presume these are being held in Denver now on the milk situation.

Mr. DIXON. Yes, sir.

Senator ALLOTT. On these executive hearings, are the parties entitled to have their counsel present?

Mr. DIXON. The same thing as if they were public, sir. Identical. Yes, sir. And I don't think perhaps we would have to do that.

Senator ALLOTT. And rules of evidence apply?

Mr. DIXON. They have accused us of saying we are running a public grand jury. Well, I never saw anybody have a counsel in a grand jury room. If they want us to have them private, we could technically say we won't let your lawyer come in here. I think we could apply such a rule. But we have no such rule. We ask a lawyer to come if it is desired, sir, and the rules of evidence, of course, in an investigating procedure, I know of no rule of evidence commensurate with the adversary proceeding, but the one of relevancy and jurisdiction may be noted, sir. It may be noted. And the hearing officer would——

Senator ALLOTT. What about hearsay and other rules of evidence? Are they generally adhered to?

Mr. DIXON. Strictly.

Senator ALLOTT. Except for the fact that in the hearing it is an informal matter.

Mr. DIXON. It is much more informal than investigation and adversary. Hearsay would not be any problem here, sir.

Senator MAGNUSON. If you allowed them to call witnesses, you would run into a town hall hearsay meeting. That is what you would run into.

Mr. DIXON. I don't know why——

Senator MAGNUSON. That might be good for some communities; I don't know, but that is what you would run into.

Mr. DIXON. This would be a trial of the issue and our obligation, from our standpoint, is to get enough investigation to have reason to believe the law is being violated.

POSITIONS UNDER COMMISSION

Senator ALLOTT. Now, Mr. Dixon, in 1961 you had 838 permanent positions in the Trade Commission.

Mr. DIXON. Yes, sir.

Senator ALLOTT. In 1961 you had 838. In 1962 you had 1,072.

Mr. DIXON. Yes, sir.

Senator ALLOTT. In 1963 you have 1,272 projected, so that, without the 150 positions that the House gave you, you would still be 50 over last year.

Mr. DIXON. That is correct, sir.

Senator ALLOTT. Is that right?

Mr. DIXON. That is correct. That is right. I am rather new as the chairman. I know a lot about this agency but the way we come here, we come every year, as you know, and young men getting out of law school want to know, for instance, whether they can be hired in June

or July, and they are around, fishing around in January and February when we are starting to try to get money.

LAG IN SPENDING

Now, I don't know whether to be an optimist or a pessimist. I tried to be an optimist this time, as I said. And I learned a lesson. I know I have no right to obligate the Congress. This is the Congress' job. But if I—I don't like this lag. I don't like to have Congress give us money and then come to the point of where they say, well, you didn't spend it. Well, we will get it obligated, and as we got the money last year obligated in March or April or May. I don't see any disgrace to turning back money to the Treasury. I think it is good business if you——

Senator MAGNUSON. I think in your Commission that you have to work it that way. This is the way congressional committees have to work. In my committee we turned back—we anticipate what we might need and maybe the investigation or whatever we are studying lasted only 2 months instead of 4, and we turn it back. This is the only way we can do it. The only way we can operate.

Mr. DIXON. That is what we do.

Senator MAGNUSON. You are in about the same position in this field. I don't see how you can do it any differently.

Mr. DIXON. And that we shall continue to do, but as I say——

Senator MAGNUSON. Of course, the chairman has been for years trying to get a bill through Congress that would change the fiscal year of the Government from January 1 to January 1.

TWO-YEAR PLANNING SUGGESTION

Mr. DIXON. Maybe he could change it to 2-year planning. That would make it easier.

Senator MAGNUSON. To correspond with the economic year in the United States, and have a fiscal session in November and December, and have a legislative session from January until June. Then the right hand will know what the left hand has been doing and you come back here and you know what you have to appropriate and what the laws are, and so forth. It might be helpful, but we have hopes here every year that we are going to quit early.

Mr. DIXON. Yes, sir; yes, sir.

Senator MAGNUSON. The first time I came to Congress we quit on the 15th of June, and I thought this was really a nice job.

That happened once, 26 years ago, and it has never happened again. And I think the Senator from Louisiana will remember those happier days.

But you just have to gage these things that way. You cannot then——

Mr. DIXON. Well, I——

Senator MAGNUSON (continuing). You cannot say, "Well, we will give you some money," and you did not get this or you did not get that, because you may anticipate that you are going into something that would take you 6 months and it could end up in 1 month.

MORE PERSONNEL NEEDED

Mr. DIXON. Well, now, we can go back, at the Federal Trade Commission, to single shotting, take the complaints as they come and look like we are doing a pretty good job, and I guess it will be a fair job, but to do a thorough job and do it more equitably and more according to the American way we are going to have to kind of raise our sights a little bit, in my opinion.

And this will take a little bit more people.

Now, I answered the President and I said this to the House Appropriations Committee. I think it is good for us to come here and talk about the future a bit.

FOUR- OR FIVE-YEAR PROGRAM

I think we ought to look at a 4- or 5-year program, and I would hope by 1965 or 1966 that this agency should be about 1,500 people.

I think then we could begin to think about trying to reach out and realize some of these functions to where we could serve the public a little bit closer to home.

But we have got to train people to do it and we have either got to turn our backs and make a selection of the problems or find another way. You know, this is a tough job, to select which one is more in the public interest than another one out of the 6,900, and there is not anybody holding your hand when you make this selection.

And it is pretty hard to explain to one man that his problem is not as important as somebody else's problem.

Senator MAGNUSON. This is off the record.

(Discussion off the record.)

PROBLEM OF BUSINESS ASSOCIATION

Senator MAGNUSON. Is there not becoming a greater responsibility in the associations of businesses?

Mr. DIXON. Much more so.

Senator MAGNUSON. I read where they have their meetings and they are becoming more mature, they are covering more of their particular industry, and when they have their say at their annual conventions I think about half of their time is taken up with some kind of codes formally or informally——

Mr. DIXON. Well, this is true, sir.

Senator MAGNUSON. And I think they are becoming more and more helpful to you people.

Mr. DIXON. They are, but you see what they say, and they are correct.

I can go out and talk like an evangelist and a preacher and persuade them all to live up to the ethical code and the law, and that is all the law is, but if you persuade 98 out of 100, the failure to persuade the other 2 would work a hardship on the 98 unless you get that other 2 quick, and if it takes 2 or 3 years to get them, doggone it, they force their way back on the ethical ones.

And I do not know how you do this.

Senator ALLOTT. Ninety-eight cannot compete with the two.

Mr. DIXON. That is right.

CASELOAD

Senator ALLOTT. You said last year there were 56 cases going back some 20 years——

Mr. DIXON. This is the gist of it.

Senator ALLOTT. Yes. What progress has been made there?

Mr. DIXON. We have made pretty good progress. I think we have got 26 of them—is that a correct figure? Or about half of them.

Mr. GERCKE. All but two have been assigned to the various field offices for active investigation.

CASES TO JUSTICE DEPARTMENT

We completed and sent to the Justice Department seven in the last fiscal year. We have five more completed that are pending with you.

It is hard to project just as to how many more we will complete by the end of this fiscal year, but I would estimate probably another 25 of them.

But the problem involved in these cases is that there are multiplicity of defendants in many of them, and they are nationwide conspiracies in many instances, so that the investigative problem initially may fall short of other types of investigations in which there are anywhere from 17 to 25 defendants.

And the staff has a real problem. We have been building toward that and, I believe, very successfully.

Mr. DIXON. These cases are not just the run-of-the-mill cases. There are the cases that were in the newspapers and headlines for years, and probably that you appropriated millions of dollars on.

Some of them may have been on an individual case, and they are the most important Sherman Act cases that have happened over a period of time.

Our experience is that it takes just about as thorough a job to determine whether the order is being lived up to, if it is a price-fixing order, as it did to get the evidence to determine that the law was being violated.

We have that problem all of the time.

LIAISON WITH FCC

Senator MAGNUSON. Let me ask you this question:

Is your liaison with the FCC still in good shape?

Mr. DIXON. Yes, sir, it is fine, sir.

Senator MAGNUSON. They give you a lot of work, do they not?

Mr. DIXON. Yes, sir, we will——

Senator MAGNUSON. Or vice versa?

Mr. DIXON. Or vice versa. We are giving them regularly the actions that we are taking.

ADVERTISING ALERT

We are issuing a thing we call an advertising alert. It is going to all of the radio and news mediums in the country that want it.

It puts them on notice of what we have done or what we have considered is wrong and violative of the law.

Senator MAGNUSON. And there you have the help, I presume, of the association?

Mr. DIXON. Yes.

Senator MAGNUSON. Where most of them, they watch, too, the licensees, and the code is a pretty good code.

I do not know how many people know this but they have done some voluntary work and I am a little bit responsible for one of them.

DRINKING ON TELEVISION PROGRAMS

You never see anyone drinking a bottle of beer on television.

Mr. DIXON. This is good taste.

Senator MAGNUSON. It is good taste.

Mr. DIXON. There is nothing in the law about it.

Senator MAGNUSON. No, there is nothing in the law to prevent it, and you will see no hard liquor advertisements on television.

There is nothing in the law to prevent it, but this is a voluntary thing that came out of my committee, and they worked right together with it and they have lived up to it.

Senator ALLOTT. On the other hand, you see them drinking other than hard liquor on television until you wonder whether the characters do anything else.

Senator MAGNUSON. Well, that is in movies and plays.

This is off the record.

(Discussion off the record.)

Senator MAGNUSON. Well, I do not have any other general questions. I think that we understand this problem and it is always a pleasure to have the Federal Trade Commission up here and review what they are doing.

And I, for one, because I am chairman of the committee, know the amount of new responsibilities we have in the Federal Trade Commission over the years.

In fact, I have authored a lot of the bills. So I think we understand it.

Any further questions?

Thank you very much, gentlemen.

Mr. DIXON. Thank you very much, sir.

Mr. WHEELOCK. Thank you, sir.

Senator MAGNUSON. All right. Now we have the Federal Home Loan Bank Board.

FEDERAL HOME LOAN BANK BOARD

STATEMENT OF JOSEPH B. McMURRAY, CHAIRMAN; ACCOMPANIED BY JOSEPH J. WILLIAMS, JR., BOARD MEMBER; IRA DIXON, RETIRED BOARD MEMBER, CONSULTANT TO THE BOARD; THOMAS H. CREIGHTON, JR., GENERAL COUNSEL; LAWRENCE M. WALTERS, DIRECTOR, OFFICE OF EXAMINATIONS; JOHN A. O'BRIEN, ASSISTANT GENERAL MANAGER, FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION; CHARLES M. TORRANCE, DIRECTOR, OPERATING ANALYSIS DIVISION, FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION; AND THADDEUS CORCORAN, BUDGET OFFICER

LETTER FROM AGENCY

Senator MAGNUSON. This is the Federal Home Loan Bank Board, and we have our friend, Joe McMurray here, who is Chairman, and other members and we will put in the record your letter in full.

(The letter referred to follows:)

AUGUST 3, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request of July 27, 1962, to advise you whether any changes are required in the public interest in H.R. 12711, the independent offices appropriation bill for 1963 as reported to the House, the Federal Home Loan Bank Board submits herewith, for consideration of your committee, four proposed amendments to the bill together with justification of their need.

The Board appreciates the scheduling of a hearing before your committee for 2 p.m. on August 8, 1962, to discuss the proposed amendments. At the hearing the Board shall be prepared to support them in more detail and to answer any questions the committee may wish to ask concerning them or any other aspects of the Board's budget and operation.

We appreciate your interest and extend to you our best wishes.

Sincerely yours,

JOSEPH P. MCMURRAY, *Chairman.*

AUTHORIZATIONS, 1962 AND ESTIMATES, 1963

Senator MAGNUSON. You have a very short statement but before you read that, for the purposes of the record—and this is on the back page of our slips—the Federal Home Loan Bank Board's administrative expenses allotted to you in 1962 were $1,865,000, and the budget estimate for 1963 was $2,075,000.

HOUSE ALLOWANCE

The House recommended $2 million, which is $135,000 more than last year but $75,000 under the budget.

And then on the nonadministrative expenses the 1962 appropriation was $10,366,000. The budget estimate for 1963 is $11,800,000. The House gave you $11.5 million, which is $1,134,000 above 1962, but $300,000 under the 1963 estimate.

Now, we will be glad to hear your statement. It is a short one I see.

Mr. McMurray. Mr. Chairman and members of the committee, my associates and I appreciate the opportunity of appearing before you today to discuss the effects of the House action on the budget estimates of the Federal Home Loan Bank Board and to recommend for your favorable consideration four proposed amendments to H.R. 12711, the independent offices appropriation bill for 1963.

Accompanying me are Joseph J. Williams, Jr., the only other Board member at the moment; Ira Dixon who retired as a Board member June 30, 1962, after 8 years, but who has graciously consented to continue to furnish his wisdom and knowledge to the Board and the agency as a consultant to the Board; Thomas H. Creighton, Jr., General Counsel; Lawrence M. Walters, Director, Office of Examinations; John A. O'Brien, Assistant General Manager, Federal Savings and Loan Insurance Corporation; Charles M. Torrance, Director, Operating Analysis Division, Federal Savings and Loan Insurance Corporation; and Thaddeus Corcoran, our budget officer.

In the interest of conserving your valuable time, I will refrain from going into detail here to explain our estimates and budget requirements. Instead, I will just make reference to the detailed justifications submitted to the committee some time ago. However, I shall be glad to answer any questions you may wish to ask.

1963 REQUEST AND HOUSE ACTION

The President's 1963 budget request for the Board and its staff offices is $2,075,000. The House bill provides for $2 million, a reduction of $75,000. For the Division of Examination and Supervision, the President's budget requests $11,800,000. The House bill provides for $11,500,000, a reduction of $300,000. For the Federal Savings and Loan Insurance Corporation, the President's budget requests $1,200,000. The House bill provides for $1,080,000, a reduction of $120,000. We believe full restoration of the House cuts are necessary in two of the three cases. In the case of the Division of Examination and Supervision, we believe because of the streamlining of the operations of the Office of Examinations, we can absorb this reduction without in any way adversely affecting its normal operations. We are accordingly not requesting restoration of this $300,000.

FUNDS NOT APPROPRIATED MONEY

The funds used to defray all of the expenses of the agency come from the savings and loan business; they are not appropriated funds.

PROPOSED AMENDMENTS

In response to Chairman Magnuson's letter of July 27, the Board requested consideration of four proposed amendments to H.R. 12711 which, if adopted by the Senate, would restore the estimates of the

Board and the Insurance Corporation to the amounts included in the President's budget.

The adoption would also provide authority in the language of the Board, to reimburse the Board members for expenses incurred in providing a modest amount of official reception and representation.

JUSTIFICATION

Justification of the need accompanied each of the four proposed amendments. We request that they be made part of the record.

Senator MAGNUSON. We will put those in the record at this point.

(The justification follows:)

FEDERAL HOME LOAN BANK BOARD

BOARD AND STAFF OFFICES

ADMINISTRATIVE EXPENSES

(Estimate, $2,075,000; 1962 act, $1,865,000; H.R. 12711, $2,000,000)

(House hearings, pt. 2, pp. 957–976)

REQUESTED AMENDMENTS TO H.R. 12711

(1) Page 46, line 21, strike out "$2,000,000" and insert in lieu thereof "$2,075,000", the estimate, an increase of $75,000 in the amount allowed by the House.

(2) Page 48, line 8, strike out "$25" and insert in lieu thereof "$30", the estimate, an increase of $5 in the amount allowed by the House.

(3) On page 48, line 12, after the colon, insert "*Provided further*, That not to exceed $1,000 shall be available for official reception and representation expenses:".

HOUSE REPORT NO. 2050 (P. 8)

(1) "The Committee recommends a $2,000,000 limitation for administrative expenses of the Board, an increase of $135,000 over the present limitation and $75,000 less than the amount requested. It will provide a staff of 192, or an increase of 13 over 1962."

(2) Not mentioned.

(3) Not included in Board presentation to House.

JUSTIFICATION

(1) The Federal Home Loan Bank Board supervises the Federal Home Loan Bank System, the system of Federal savings and loan associations, and the Federal Savings and Loan Insurance Corporation. It also issues charters for Federal savings and loan associations, approves the establishment of branch offices of such associations, and is responsible for the insurance of savings accounts in Federal savings and loan associations and in approved State-chartered savings and loan or building and loan associations and associations of the savings and loan type. It also approves membership in the Federal Home Loan Bank System and the conversion of State-chartered associations to Federal associations.

The expenses of the Board are paid from funds received from the savings and loan business.

The estimate submitted to the House for the Board and its staff offices was $2,075,000. The House reduced the estimate to $2 million, a reduction of $75,000 or 35.7 percent of the increase requested. Application of the cut is shown on the attached function and object of expenditure statement. The reduction has been applied to personnel compensation in the amount necessary to retain in the estimate 13 of the 20 new positions requested. Reductions in related personnel benefits, contractual services and supplies, and acquition of capital assets, as shown, would also be necessary.

The effect of the House action would be to prevent the Chairman from recruiting the services of an Executive Assistant. Under Reorganization Plan No. 6 of 1961, the Chairman is chief executive officer of the Board, responsible among

other things, for the overall management, functioning, and organization of the agency. The duties of the Executive Assistant would be to carry out the administrative and operating responsibilities of the Chairman to the extent delegated by the Chairman.

Sustaining of the House action would also prevent the Division of Federal Savings and Loan Operations from hiring the staff necessary to keep the work of the Division in a current status. This Division is responsible, among other things, for the review and analysis of all applications relating to the organization of Federal savings and loan associations, establishment of branch offices of such associations, conversion of State-chartered associations to Federal associations, and membership in the Federal Home Loan Bank System.

The effect of the House action would also prevent the proposed expansion of the Board's monthly publication from an 8-page to a 32-page magazine. The proposed expansion is necessary to keep the savings and loan business more adequately informed of the Board's studies and actions, potential and otherwise, relating to rules and regulations and other matters associated with the constantly increasing business of the Board and the operations of the savings and loan industry.

Restoration of the cut is respectfully urged.

(2) The standardized Government travel regulations, revised August 14, 1961 (Public Law 87–141), permit the paying of actual expenses not to exceed $30 per diem. The Board, in line with this revision, requested permission to increase the per diem paid to the members and alternates of the Federal Savings and Loan Advisory Council—a statutory body—from $25 to $30. The amount included in the budget estimates of the Board for this purpose is $500.

Restoration is respectfully urged.

(3) This proposed amendment, not included in the budget estimates submitted to the House, would permit the three Board members to obtain reimbursement of expenses incurred in providing a modest amount of official reception and representation.

The Board recognizes and meets to a limited extent and in a very modest way the need for such official reception and representation. As there is no fund for such purpose currently available to the Board, such costs must be met from the members' own pockets. It is believed the Board members should not be expected to use their own funds in carrying out what is deemed to be their official duties.

Additional funds for this purpose is not requested as it is proposed to absorb the estimated cost of $1,000 within the estimate submitted to the House.

This request of a modest amount for this purpose is consistent with the budgetary policies applied to all agencies for fiscal 1963.

Approval of the amendment is respectfully urged.

Function and object of expenditure statement

	Estimate, 1963		Allowed by House [1]		Restoration requested	
	Average number	Amount	Average number	Amount	Average number	Amount
Personnel compensation:						
Offices of the Chairman and Board members	10.0	$123,108	10.0	$123,108		
Office of the Executive Assistant to the Chairman	1.4	13,686			1.4	$13,686
Office of Research and Home Finance	7.0	73,363	7.0	73,363		
Office of the Assistant to the Board	2.0	22,776	2.0	22,776		
Budget Office	2.7	21,911	2.7	21,911		
Office of Information	6.8	54,688	5.4	41,597	1.4	13,091
Division of FS & L Operations	17.5	147,572	16.8	139,931	0.7	7,641
Office of the Secretary	57.5	327,200	57.5	327,200		
Office of the Director of Audits	11.0	115,684	11.0	115,684		
Division of Personnel	7.0	55,165	7.0	55,165		
Division of FHLB Operations	13.4	122,591	12.0	109,609	1.4	12,982
Comptroller's Division	32.2	183,971	32.2	183,971		
Office of the General Counsel	38.0	339,285	38.0	339,285		
Total personnel compensation	206.5	1,601,000	201.6	1,553,600	4.9	47,400
Personnel benefits:						
Health benefits		10,860		10,860		
Incentive awards		2,500		2,500		
Life insurance		5,680		5,680		
Retirement		102,960		99,960		3,000
Social security taxes (FICA)		500		500		
Total personnel benefits		122,500		119,500		3,000
Total personnel compensation and benefits		1,723,500		1,673,100		50,400
Contractual services and supplies:						
Travel and transportation of persons		93,000		91,500		1,500
Transportation of things		1,000		1,000		
Rent, communications, and utilities		191,000		189,000		2,000
Printing and reproduction		25,000		6,000		19,000
Other services		16,000		16,000		
Services of other agencies		13,000		13,000		
Supplies and materials		58,000		58,000		
Total contractual services and supplies		397,000		374,500		22,500
Acquisition of capital assets:						
Equipment		34,500		32,400		2,100
Total gross expenses		2,155,000		2,080,000		75,000
Reimbursements from other accounts		80,000		80,000		
Total administrative expenses		2,075,000		2,000,000		75,000

[1] House allowance is in total only.

FEDERAL HOME LOAN BANK BOARD

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

ADMINISTRATIVE EXPENSES

(Estimate, $1,200,000; 1962 act, $965,000; H.R. 12711, $1,080,000)

(House Hearings, Pt. 2, pp. 988–1005)

REQUESTED AMENDMENTS TO H.R. 12711

Page 49, line 3, strike out "$1,080,000" and insert in lieu thereof "$1,200,000," the estimate, an increase of $120,000 in the amount allowed by the House.

HOUSE REPORT NO. 2050 (P. 8)

"An administrative expense limitation of $1,080,000 is allowed for the Federal Savings and Loan Insurance Corporation. This provides $115,000 over the present authorization and $120,000 less than the budget estimate."

JUSTIFICATION

The Federal Savings and Loan Insurance Corporation insures savings accounts up to $10,000 for each saver in Federal savings and loan associations and in approved State-chartered savings and loan or building and loan associations, known in some sections of the country as cooperative banks and homestead associations.

The administrative and other expenses of the Corporation are paid from its own funds derived from insurance premiums, admission fees, and interest on its investments.

The estimate submitted to the House for the Corporation was $1,200,000. The House reduced the estimate to $1,080,000, a reduction of $120,000 or 51 percent of the increase requested. Application of the cut is shown on the attached function and object of expenditure statement. It indicates that under the House action, the activities of the Operating Analysis Division would be curtailed. The increase of 14.7 man-years requested for the Division would be reduced by 10.8 man-years or by all of the new positions (12) requested for the Division. Reduction in related personnel benefits, and contractual services and supplies, as shown, would also be necessary.

The Operating Analysis Division is the sole source of essential information on the savings and loan business and related areas. It is particularly interested in the activities of the members of the Federal Home Loan Bank System and those institutions insured by the Corporation. The Division processes, summarizes, and analyzes individual association's reports on financial condition, operations, and activities and makes reports thereon to the Federal Home Loan Bank Board, officials of the Corporation, the regional Federal home loan banks, and Bank System members, keeping them informed of developments and trends in their particular field. The Division also provides material to keep the Congress, the administration, the press, and the public informed as to the status of and developments in the constantly expanding savings and loan business.

In the Supplemental Appropriation Act, 1962, the Congress provided funds for the development of a study of home mortgage interest rates from a broad sample of savings and loan associations and other major types of lenders (life insurance companies, mortgage companies, commercial banks, and mutual savings banks). This study was instituted and planned by the Board with the full support of the Office of Statistical Standards of the Bureau of the Budget and of an interagency committee comprised of the Federal Deposit Insurance Corporation, the Federal Reserve Board, and other financial agencies of the Government, as well as officials representing national trade associations for the major types of financial institutions covered in the study. The Division developed the study through collaboration with representatives of various trade groups and Government agencies. In the process, the scope of the survey was expanded to meet their extensive needs, greatly increasing the cost and requirement for funds in fiscal 1963.

The recommended cut would seriously curtail the planned development and analysis of the comprehensive home mortgage interest rate study, prevent the Division from assisting the Office of Research and Home Finance and other offices and divisions of the Board and the Corporation in developing their respective programs, and even interfere with the maintenance of the Division's present services essential to the Board and the Corporation.

Restoration of the House cut is respectfully urged.

Function and object of expenditure statement

	Estimate, 1963		Allowed by House [1]		Restoration requested	
	Average number	Amount	Average number	Amount	Average number	Amount
Personnel compensation:						
Office of the General Manager	10.0	$94,061	10.0	$94,061		
Underwriting Division	19.9	164,080	19.9	164,080		
Insurance Settlement and Rehabilitation Division	9.0	84,925	9.0	84,925		
Operating Analysis Division	59.6	360,584	48.8	293,385	10.8	$67,199
Comptroller's Division	20.5	147,621	20.5	147,621		
Total, personnel compensation	119.0	851,271	108.2	784,072	10.8	67,199
Personnel benefits:						
Retirement		54,398		50,248		4,150
Health Benefits		5,253		4,839		414
Life Insurance		2,978		2,741		237
Total, personnel benefits		62,629		57,828		4,801
Total, personnel compensation and benefits		913,900		841,900		72,000
Contractual services and supplies:						
Travel and transportation of persons		20,000		15,400		4,600
Transportation of things		100		100		
Rent, communications, and utilities		88,400		84,000		4,400
Printing and reproduction		50,500		46,400		4,100
Other services		118,200		84,300		33,900
Supplies and materials		8,900		7,900		1,000
Total, contractual services and supplies		286,100		238,100		48,000
Total estimate		1,200,000		1,080,000		120,000

[1] House allowance is in total only.

REGULATORY AND SUPERVISORY AGENCY

Mr. McMURRAY. As you know, the Federal Home Loan Bank Board is a regulatory and supervisory agency operating in the savings and home-financing field. It supervises the Federal Home Loan Bank System, the Federal Savings and Loan System, and the Federal Savings and Loan Insurance Corporation. Through these three activities the Federal Government seeks to strengthen the Nation's savings and loan industry.

SOURCE OF RESERVE FUNDS

The Bank System, through its 11 regional Federal home loan banks, located strategically throughout the country, provides a permanent source of reserve funds for stabilizing the home financing activities of its 4,778 members. Membership assets at June 30, 1961, exceeded $75 billion.

On June 30, 1962, they were $85 billion-plus.

FEDERAL SAVINGS AND LOAN SYSTEM

The Federal Savings and Loan System, created by Congress in 1933, was authorized to provide additional local thrift institutions where people may place their savings and/or obtain loans to finance their homes. The assets of the 1,885 members at June 30, 1961, were $41 billion.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

The Federal Savings and Loan Insurance Corporation insures, up to $10,000 each, savings accounts in approved savings and loan associations and similar institutions. The assets of its 4,160 members at June 30, 1961, were $72.5 billion.

And that figure has increased to almost $84 billion this past June.

The Board's respective estimates reflect its efforts to keep abreast of the constantly growing savings and loan business. The Board feels that since the savings and loan business pays all the expenses of the agency, the business should receive prompt, efficient, and adequate service from the agency. The constant growth and level of activity of the savings and loan business in fiscal year 1961 are reflected in the following statistics:

BANK SYSTEM MEMBERSHIP

Total Bank System membership assets reached $75.2 billion, an increase of 14.3 percent. Mortgage loans made by member savings and loan associations aggregated $15.2 billion, an increase of 7 percent. Net savings in member associations aggregated $8.2 billion, an increase of 22.4 percent. The volume of earnings, reserves, and new savings in member savings and loan associations also reflected substantial increases.

ASSETS OF BANKS

In the same period total assets of the 11 Federal home loan banks increased by 11.4 percent, reaching $3.4 billion; net income increased by 13.8 percent to $38.3 million; capital increased by 13 percent reaching $1.2 billion; investments increased by 23 percent to $1.4 billion, and legal reserve increased by 16.3 percent to $54.8 million. Loans to member institutions aggregated $2.2 billion, an increase of 7.3 percent over the peak figure established 1 year ago, and loans outstanding increased by 5.6 percent to $1.9 billion.

TOTAL ASSETS OF CORPORATION

Total assets of the Federal Savings and Loan Insurance Corporation increased by 15.8 percent to $433.9 million at June 30, 1961; net income increased by 17 percent to $56.4 million; reserves for contingencies increased by 15.8 percent to $410 million, and its potential liability increased by 14.6 percent to $62.7 billion.

The 1963 budget estimates of the Board, the Division of Examination and Supervision, and the Insurance Corporation were based on the assumption of a continuation of the upward climb in total assets, mortgage loans, net savings, and reserves and undivided profits of the Bank System membership.

EFFECTS OF HOUSE ACTION

The effect of the House action would make it difficult for the Board and the Insurance Corporation to build up their respective staffs to the strength deemed adequate to furnish the services necessary to a smooth, safe, and efficient operation of the savings and loan business.

Accordingly, restoration of the cut of $75,000 in the Board and its staff offices, and $120,000 in the Insurance Corporations is respectfully urged. Restoration of the increase requested in the per diem of members and alternates of the Federal Savings and Loan Advisory Council, as well as inclusion of the language authorizing reimbursement to the Board members of expenses incurred in providing a modest amount of official reception and representation is also respectfully urged.

I thank you, gentlemen, for the opportunity of making this statement; I shall be glad to answer any questions you may wish to ask.

EXAMINING DIVISION

Senator MAGNUSON. Well now, you mentioned the 75 on the administrative expenses and then the Federal Savings and Loan Insurance Corporation, 120.

Did you mention the 300 on the——

Mr. MCMURRAY. The 300? No, sir. We are satisfied that, because of the streamlining of our Examination Division, that we can do a good job with the amount allowed by the House.

Senator MAGNUSON. Because you still have a plus $1,134,000?

Mr. MCMURRAY. Yes, sir. We think that is adequate in view of what we have done recently to streamline our Examination Division.

NEW EMPLOYEES IN DIVISION

Senator ELLENDER. How many employees do you have there?

Mr. MCMURRAY. We have seven employees, sir; that is we are requesting restoration of seven positions in the Board.

Senator ELLENDER. Seven? How many more will you have in 1963 if the House allows the——

Mr. MCMURRAY. Thirteen more. The House specifically, in its report, said that it provided enough funds for an increase in staff of 13.

But in order to work out the 13 we will have to knock out the higher classifications that we requested in order to get the 13 to fit.

So, really, the effect of that was to—I had asked for funds for an executive assistant under Reorganization Plan No. 6 of 1961 approved by Congress last year. The chairman is the executive head of the agency. There are a lot of administrative tasks, and I would like to have an executive assistant to take care of a large part of the administrative responsibilities.

Senator ELLENDER. Well, I notice the budget estimate is $210,000 or the estimate is, over 1962.

How much of that $210,000 is to be used in order to pay for increased salaries or promotions and things of that kind?

Mr. MCMURRAY. The amount which we request be restored would provide $47,000 more for salaries and $3,000 more for personnel benefits.

CONTRACTUAL SERVICES

Contractual services which include, for example, transportation of persons, and so on, $22,500.

And then we have $2,100 for equipment.

So roughly $24,600 of the restoration requested is for other expenses.

Senator ELLENDER. Do you mean of the $75?

Mr. MCMURRAY. Yes, sir; and $47,004 is for salaries.

Senator ELLENDER. Well, my question is or my reference is to the 210 increase.

Mr. MCMURRAY. That would——

Senator ELLENDER. Is that about in proportion——

Mr. MCMURRAY. Well, sir, I think that would be correct.

I can give you the figures again for the record if you want.

INCREASE FOR FRINGE BENEFITS

Senator ELLENDER. Well, what I desire to do is to be able to indicate to the House, if we go to conference with this, that so much of the increase must be provided in order to take care of these fringe benefits that you are speaking of——

Mr. MCMURRAY. Yes, sir.

Senator ELLENDER. As well as your promotional lines.

Mr. MCMURRAY. Yes, sir.

Senator ELLENDER. Well, if you will furnish that for the record, that will be fine.

Mr. MCMURRAY. Yes, sir; I will give it to you. Thank you very much. It is a good question.

Senator ELLENDER. All right.

(The information referred to follows:)

Of the $210,000 increase requested, the sum of $156,000 is provided for personnel compensation. Of this amount, $120,357 is for the 20 new positions requested, leaving $35,643 of which $18,988 is for annualization, and $16,655 for within-grade advances.

INTERVAL BETWEEN INSPECTIONS

Senator MAGNUSON. The House committee said this, and I quote from page 8:

The committee is pleased to note that the Board now has the time interval between inspections reduced to less than 12 months. * * *

What is the average now?

Mr. MCMURRAY. Well, our institutions are examined once every 12 months.

Exactly what that is, Mr. Walters can tell you.

Senator MAGNUSON. You mean at least every 12 months——

Mr. MCMURRAY. Yes, sir.

Senator MAGNUSON. An institution is examined?

Mr. MCMURRAY. In years past that was not the case.

Senator MAGNUSON. It was 18, was it not?

Mr. CORCORAN. Yes, sir.

Senator MAGNUSON. At one time it was 18?

Mr. CORCORAN. Yes, sir.

Senator MAGNUSON. But now you have got it down to where the average is about 12 months or less?

Mr. MCMURRAY. That is right.

Senator MAGNUSON. Then the House says:

* * * but notes that the number of man-days per inspection is increasing.

What is the reason for that?

Mr. MCMURRAY. Well, the reason for that, sir, is that last year we did not increase as much as we expected. Now, the reason for that, Mr. Walters can tell you.

We got an increase in per diem and a general increase in rates which makes it possible to employ and secure these examiners, but that increase in examining time last year was very, very small and unusual.

And, actually, what we are requesting is less than average.

Now, Mr. Walters, if he may, can supplement anything I have said.

MAN-DAYS IN FEDERAL EXAMINATIONS

Mr. WALTERS. The actual man-days on Federal examinations only increased by one this past year which amounted to about 2 percent.

That 2 percent compares with the growth of the industry and assets of about 15 percent. In other words, we have, within the past year, by streamlining and revising somewhat our procedures, been able to absorb most of the growth of these institutions. We did not quite make it all, but that is our objective——

Senator MAGNUSON. But you are proceeding toward that objective?

Mr. WALTERS. That is right.

Mr. MCMURRAY. We are working very hard on that, and I think the industry, generally, is quite pleased with the progress that we have made.

For example, we are encouraging auditing by outside auditors to the extent that they can do that. And in every way that we can, we are trying to speed it up, because it is a burden on an institution to have examiners in, and we want to get in and get out as fast as we can.

FREQUENCY OF AUDITING

Senator MAGNUSON. The industry, if you will recall, did express some, not complaints, but concern, about auditing once a year.

I think it would be fair to say that they have pretty much accepted this now, have they not?

Mr. MCMURRAY. Well, I think most all institutions expect examinations. As a matter of fact, many institutions, believe it or not, welcome it, especially the boards of directors——

APPLICATION FOR BRANCHES

Senator MAGNUSON. Now, there has been a great deal said about branches. I do not know whether it is just out West, but maybe more so out there have had applications for branches.

I know some of them that I have sent down to you people, not suggesting what you do about them, but trying to expedite them, and then they get into a squabble every once in a while about who is going to have this.

When you get a new community that has gone up, do you look at them all as individual cases or do you have some criteria, general criteria?

Mr. McMurray. Well, if I may just depart a little bit—I would like to say that I enjoy my job very much. It has been very interesting and fascinating, and probably the toughest part of the job is what you have mentioned, because it requires the wisdom of a Solomon sometimes to make the determinations as to which is the right one, and we try very hard to do that.

We have three Board members, and in almost every case we finally agree. It is a rare instance when there is any disagreement. In fact, I just cannot recall any, but there may have been.

Now, what we do generally in the cases we look at is: Each bank sends in to us a report with its recommendations. They know the area and they bring into consideration all the factors, for example, whether there are other associations in there, the per capita income, the per capita savings, what the market is for construction, the home-building, the vacancy rates, and so on—a sort of total economic picture—and then something about the association itself and what its reserves are, and so on.

So we have all of this information.

PROCEDURE IN CONTESTED CASES

Then in many cases, where they are contested, which you referred to, and they are very hotly contested, we have a hearing. And in the hearing the proponents, the people applying, make their case and they usually have economic analyses made, bring outside experts in, and the opposition brings their experts.

And they bring a good deal of the information that you ordinarily would think would be the basis for us to make a determination on.

Now, in some cases where we are not sure—for example, we were concerned at one time about Florida and we sent a group of people down there to look over the total situation——

Senator Magnuson. Well, that is where they were all growing too fast.

Mr. McMurray. We wanted to see what was happening, what the total economic picture was. We wanted to see what the specific situation was with regard to the branches.

But in this area of making decisions if we grant a branch we usually end up with a number of opponents very unhappy and unfriendly, and if we do not grant the branch, of course, the applicant is unhappy.

So it is the part of the business where we do not win friends but we do our job nevertheless. It is a tough one, but——

APPLICATION FOR BRANCH

Senator Magnuson. Well, if there is an application for a branch and there is no objection from a competitor, let's say, then the criteria would be whether or not the area could economically sustain, in other words——

Mr. McMurray. That is right.

Senator Magnuson. That would be the academic question there?

Mr. McMURRAY. Well, what we do is look at it. We have reports. Our Division of Federal Savings and Loan Operations makes a very careful analysis, and it makes a report to us on such things as you mentioned.

We are also having to look at injury—undue injury to existing institutions—to see if there is any problem there; we are also very concerned about its prospects for success.

When it is not contested, and we will still feel it is satisfactory, we will give them what we call a dispensable hearing, which means that if no one comes in and protests, we dispense with the hearing and we usually approve the request for the branch.

I might say in this connection I feel that branches are a very effective means of serving the community and especially necessary, when cities are spreading out into the suburbs, for some institutions to service their old customers who have moved to the suburbs and help maintain the service for the community, and I have been, I would say, liberal, generally speaking.

In other words, I resolve a doubt usually in favor of the branch because, after all, they are the managers, they are the businessmen, they are the men on the spot, and they ought to know what is best for their association.

They are not going in to open a branch unless they feel that there is a reasonable chance of success. They do not want to lose any money any more than the Board would want them to lose it.

So that is my own personal philosophy although sometimes when I turn them down for a branch they throw back at me my stated philosophy and say, "How come?" But these are contested cases and there are two sides to the question.

INSTITUTIONS OPERATING WITHOUT BOARD

Senator MAGNUSON. Do you have any figures on how many institutions are operating without the Board in the United States?

Mr. McMURRAY. You mean without insurance?

Senator MAGNUSON. Without the insurance and without——

Mr. McMURRAY. As I recall it, there are roughly 6,300 savings and loan associations of which over 4,200 are insured by the Insurance Corporation.

Mr. O'BRIEN. I think there are approximately 2,000 of them.

Senator ELLENDER. Institutions?

Mr. O'BRIEN. Yes.

Senator MAGNUSON. Yes, they hold themselves out as a savings and loan institutions? In some cases would they have a State charter?

Mr. WILLIAMS. Oh, yes, sir; all of them do.

Senator MAGNUSON. All of them?

STATE-CHARTERED INSTITUTIONS

Mr. O'BRIEN. They are all State-chartered institutions and uninsured; a Federal one must be insured.

Senator MAGNUSON. But they are not within the Board?

Mr. O'BRIEN. No, sir; however we have some which are not insured but are members of the bank system and come under the Board's jurisdiction.

Senator MAGNUSON. You do?

Mr. O'BRIEN. Yes, sir.

Senator MAGNUSON. How many?

Mr. MCMURRAY. For instance, in Massachusetts we have some cooperative banks that are insured by the Massachusetts fund and are members of the bank system but are not insured by the FSLIC.

In Ohio we have some that are insured by the Ohio Guaranty Fund that are members of the bank system.

Senator ALLOTT. Well, then, of your 2,000 who are not members of the Fund—Federal Savings and Loan Insurance Corporation—how many of those are insured by other forms of insurance?

Do you have any idea?

Mr. O'BRIEN. I do not have any idea.

Senator MAGNUSON. Could you get that for us?

Mr. O'BRIEN. Yes, indeed.

(The information referred to follows:)

In the State of Ohio, there were 129 savings and loan associations with total assets of over $420 million at June 30, 1961, which were insured by the Ohio Guaranty Fund, a private organization.

In the State of Massachusetts there were 172 cooperative banks with total assets of $1,297,369,856 at June 30, 1961, which were insured by the Massachusetts Share Insurance Fund of the Cooperative Central Bank, a State organization.

In the State of Maryland, the Maryland Savings-Share Insurance Corp., a private corporation chartered by the State, is scheduled to begin business on October 1, 1962.

MARYLAND ASSOCIATIONS

Mr. MCMURRAY. Some of the Maryland associations were insured by a Panamanian insurance company and, as you know, the insurance, it has been reliably reported, was of little or no value.

Senator ALLOTT. With the same directors that they have on the savings and loan board?

Mr. MCMURRAY. I am not sure.

Senator ALLOTT. I think you will find that is true or substantially so.

Senator MAGNUSON. Do you remember that last year we went into quite a detailed discussion on this problem of advertising——

Mr. MCMURRAY. Yes, sir.

Senator MAGNUSON. By the savings and loan companies.

Do you notice any decrease in that since we had this discussion?

CALIFORNIA PROHIBITION ON GIVEAWAYS

Mr. MCMURRAY. Well, in California we have had a great deal of success because we, together with the State of California, prohibited, in effect, the giveaways, which was a big basis for advertising.

You would think they were advertising for a department store more than for a savings and loan association. And some of those institutions were the chief offenders.

We still have problems with it, sir, and you do get involved, I suppose, in this old question of freedom of the press and what people can do: we have an advertising regulation which, in effect, says that people cannot mislead or misrepresent.

Senator ALLOTT (reading):

No Federal association shall condition the distribution of a giveaway on the recipients' possessing, opening, or adding to a savings account, or maintaining a minimum balance therein.

I think—may I interrupt, Mr. Chairman?

Senator MAGNUSON. Well, I think your question will follow mine.

AUTHORITY TO REGULATE MEMBERS

But you do have the authority to make this kind of regulation on your members?

Mr. MCMURRAY. Yes, sir.

Senator MAGNUSON. OK.

Mr. MCMURRAY. But the problem gets beyond where they meet the minimum and into an area of how far they can go; that really becomes the question.

Senator MAGNUSON. Yes.

Mr. MCMURRAY. But if someone really gets out of line our supervisory agent at once contacts them and they usually desist. I might say that there are abuses among the commercial banks. When it is so determined the FDIC contacts the institution just as we do.

So that we have some success. There is a lot more to be desired and we are constantly at the job.

Senator MAGNUSON. I think it is a little better though than when we discussed it last year. I just have a feeling that it is better.

Mr. MCMURRAY. Yes, I think it is generally better; the trouble is that you have one or two who are the chief offenders and everybody gets the idea that everybody is doing it.

We have 4,800 member institutions and there are very few of them that abuse the privilege.

FEDERAL REGULATION CITED

Senator ALLOTT. Mr. Chairman, I was the one who brought this up last year. On August 24 of 1961 you promulgated this regulation and, frankly, I want to compliment you on it.

I felt we were very quickly getting into a very dangerous field that would, in the long run, be dangerous to the Federal savings and loan associations.

And in reading the Wall Street Journal in the morning, I always see 10, 12, or perhaps 15 ads of various savings and loan associations. I did see one the other morning where I noticed a giveaway thing of the type that was absolutely prevalent this time last year.

I think you have done a good job. I want to compliment you on it. I think it is a sound step.

I realize that you get into gray areas which are very difficult but this was getting to be a very vicious form of competition and could only have led to real trouble.

Mr. MCMURRAY. Yes, sir, and thank you.

SITUATION ON FORECLOSURES

Senator ALLOTT. What is your experience on your loans as you get them from the Federal savings and loan institutions now?

What is the increase in foreclosures?

Mr. MCMURRAY. Well, on foreclosures in our associations—and I checked just before I came over here, as a matter of fact, nationally it is an insignificant figure.

In the areas of, for example, Florida, where we had a lot of foreclosures, there were only three institutions that had over 1 percent of their assets in real estate owned, and none of them was over 1½ percent.

In California, we have another situation with which we are concerned. We had 8 institutions that were over 3 percent and 27, including the 8, that were over 1 percent, which, when you consider the volume, is not bad.

DELINQUENCIES

Now, we also have some statistics on delinquencies; our delinquency rates, considering all the problems—some of the problems are in depressed areas and areas which have experienced sharp changes in activity—are not such as to cause any alarm. We watch these things very carefully and the delinquency rates, compared to the FHA's and VA's are very low, generally.

But in our own portfolios where we have GI loans it is interesting to note that the delinquency rate is less for GI loans than for conventional loans.

Senator ALLOTT. Now, these are the GI loans that have been——

Mr. MCMURRAY. Yes, they are well seasoned, but the savings and loan associations, are more conservative in what they will do on GI loans.

So I suppose this is a natural thing to expect.

Now, on our delinquency rates our delinquency definition is a fairly strict one. We say any borrower is delinquent if he made less than 10 payments within a year, or, if there has been 3 months of delayed payments. That might mean, for example, that the payments were missed in the first part of the year, and the borrower is current on recent payments, but we still count it as delinquent.

DELINQUENCY RATE TOTAL

So just for an example, in January to March 1962, there were 963 institutions which we examined with assets of $15 billion. The delinquency rate total was 1.8 percent.

Senator ALLOTT. Now, is that in members or in dollars?

Mr. MCMURRAY. It is a ratio of the dollar amount of loans.

Senator ALLOTT. Now, how does that compare with FHA?

Mr. MCMURRAY. Well, it is less than the FHA default figures. We do not have FHA figures on these delinquencies. They furnish information on defaulted loans which we call "foreclosures." Our figures are for slow or delinquent loans which may include some defaults. For example, our best guess is that foreclosures in savings and loan companies is probably about ¼-percent or less.

Senator ALLOTT. I thought you said you had comparative figures there?

Mr. MCMURRAY. No, I do not have the FHA figures on the same basis as ours, and I regret that we don't have figures on their basis.

FHA default rates are higher in multi-family, I believe, than in single families, and it appears that their single family ratio is higher than that for savings and loan associations on a default or foreclosure basis.

One of the troubles, I might say, is that the statistical information is not too good on this. As a matter of fact, we are developing a series on foreclosure statistics for the savings and loan institutions. At this time it is hard to compare our experiences and theirs because we are comparing different things.

FHA REQUEST FOR MORE FUNDS

Senator MAGNUSON. Well, FHA has asked for more money to bring this more up to date as far as they are concerned.

Mr. MCMURRAY. Well, I hope you will give them the money because it would be very helpful to all of us.

Senator ALLOTT. Well, the senior Senator from Florida the other day pursued a line of questioning which I agreed with, that perhaps part of the trouble with foreclosures was that the FHA financing had been made available on too reasonable terms.

PERCENTAGE OF APPRAISED VALUE FOR LOANS

Now, in the Federal loan system you have an 80 percent maximum loan upon the appraised value?

Mr. MCMURRAY. We have advanced that to 90 percent, but the associations are limited in the percent of their assets that they can invest on those kinds of loans and the——

Seantor ALLOTT. And it has been changed from 15 percent?

Mr. MCMURRAY. What is that, sir?

Senator ALLOTT. It has been changed from 15 percent?

Mr. MCMURRAY. They cannot invest more than 20 percent of their assets on these kind of loans. Also, very important in that kind of loan, there can be no secondary financing, and the loan must be based on appraisal or purchase price whichever is lower. Also, there is a dollar limit on the amount of loan of $26,500.

SECONDARY LOANS

Now, if those people who have made studies on the foreclosures find that one of the important contributing factors in foreclosures is the secondary financing then that becomes important.

They have a second mortgage and then you really find that they are in trouble. In discussing this with the task force—I think Mr. Cooper was there that day—we found that those institutions that made these kinds of loans, surprising to themselves, have had more success with the 90 percent loan without secondary financing. Also limiting the value to appraisal or purchase price, whichever is lower, provides a double check on the integrity of the loan to value ratio.

Of course, they are very careful about the 90 percent loans that they make. We won't permit institutions with low reserve ratios to make these loans. These loans must be on a single family dwelling, occupied by the owner. These restrictions and other requirements fence in the area in which an association can operate.

Senator ALLOTT. When did you go up to 90 percent?

Mr. MCMURRAY. Some time last year we increased the percent of assets that an association may invest in this type of loan. I can get you the date, but I would say roughly——

Mr. CORCORAN. Over 3 years ago.

Senator ALLOTT. But under your regulations no secondary financing with a 90 percent loan——

Mr. MCMURRAY. That is right.

Senator ALLOTT. And not over 20 percent of the assets or the loans in any one loan?

Mr. MCMURRAY. I think it is the assets, and the figure should be 20 percent, and the limit applies to the dollar volume of all such loans as proportion of assets and the individual loan is limited in dollar amount.

Mr. CORCORAN. The assets.

Senator ALLOTT. I think that is all I have, Mr. Chairman.

PROGRESS ON BUILDING

Senator MAGNUSON. How is your building coming?

Mr. MCMURRAY. Senator, if you can help us, we could very well build a building without any cost to the Government which would not only help us in our own space problem, but it would be helpful to the whole Government also. I think it would be a good investment for the Federal Home Loan Bank System because I think that a good building put up now would be much more valuable in years to come.

And also—and I stress constantly—the image of the Federal Home Loan Bank System is very important; I can just visualize an efficient, functional building in the proper place——

Senator ALLOTT. Do you not have that building yet?

Mr. MCMURRAY. No, not yet, sir.

Senator ALLOTT. What has happened to it?

Mr. MCMURRAY. Well, we have to approach the Public Works Committee and it is raising some questions with another agency, and I thought I would see how they made out, so that I would be forewarned and be educated before I talked to the committee.

INSURANCE CORPORATION

Senator ELLENDER. How is your insurance corporation?

Mr. MCMURRAY. The Insurance Corporation is doing well, sir, especially since the Congress passed a bill, at our request, which permits prepayment of additional insurance premiums.

Instead of buying stock in the 11 banks the insured institutions prepay additional insurance premiums which are credited to a secondary reserve.

DECREASE IN RESERVES

This has increased the reserve considerably since January 1, and I think in a few years it will double the reserves of the Insurance Corporation. Do you know what the figure was on the increase in reserves?

Mr. O'BRIEN. I think the 2 percent additional prepaid premiums, based on the increase in share capital which was $8,200 million, was about $164 million.

ACTION IN DEFALCATION CASES

Mr. MCMURRAY. We have had two good experiences. There was an institution in Indiana, a family situation, where there was a defalcation. The management had taken some of the funds for their own purposes and we moved in there.

We were in there 3 or 4 days before the people of the community knew it, and I am glad to report there was no run on the institution. It is doing very well now.

We had another one in Tennessee where a lady had taken, over a period of years, some three or four hundred thousand dollars, and again we moved in there and that institution is now operating very well and most of the shareholders are still members.

Senator MAGNUSON. Any further questions of the Federal Home Loan Bank?

All right, thank you very much, sir.

Mr. MCMURRAY. Thank you, Mr. Chairman.

Senator MAGNUSON. The record will be open for the rest of the week.

GENERAL ACCOUNTING OFFICE

STATEMENT OF JOSEPH CAMPBELL, COMPTROLLER GENERAL OF THE UNITED STATES; ACCOMPANIED BY ROBERT F. KELLER, GENERAL COUNSEL; JOHN F. FEENEY, ADMINISTRATIVE OFFICER; AND HERSCHEL J. SIMMONS, CHIEF, BUDGET AND FINANCE BRANCH

LETTER AND JUSTIFICATIONS

Senator MAGNUSON. We have the Comptroller General, Mr. Campbell, here, and it is always a pleasure to see Mr. Campbell.

He causes us a minimum of problems in the Appropriations Committee. He may cause us other problems, but they are at a minimum.

He has a very short statement, letter, and justification summary which we will put in the record in full.

(The letter and summary referred to follow:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 30, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, Committee on Appropriations, U.S. Senate.

DEAR MR. CHAIRMAN: Receipt of your letter dated July 27, 1962, relative to the independent offices appropriation bill for 1963, is acknowledged with thanks.

We respectfully advise that, insofar as this bill as reported affects the U.S. General Accounting Office, we see no reason for any changes therein.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

U.S. General Accounting Office

Index of justification and summary of amounts requested

Division or office	Estimate, 1962				Changes, 1962 to 1963				Estimate, 1963				Analysis of increases or decreases, other expenses	
	Total number	Average number	11 Personnel compensation	Other expenses	Total number	Average number	11 Personnel compensation	Other expenses	Total number	Average number	11 Personnel compensation	Other expenses	21 Travel	Other
Office of—														
The Comptroller General	6	6	$68,725	$6,000	------	------	+$307	+$500	6	6	$69,032	$6,500	+$500	------
The Assistant Comptroller General	3	3	33,281	3,800	------	------	------	------	3	3	33,281	3,800	------	------
Subtotal	9	9	102,006	9,800	------	------	+307	+500	9	9	102,313	10,300	+500	------
Administrative services	388	382	2,097,994	412,979	−5	−5	−10,307	+5,568	383	377	2,087,687	418,547	+1,500	+$4,068
Claims Division	346	330	2,333,000	278,204	−21	−15	−92,000	−7,895	325	315	2,241,000	270,309	------	−7,895
Transportation Division	1,116	1,078	6,651,000	662,227	−70	−62	−255,000	−7,464	1,046	1,016	6,396,000	654,763	+12,000	−19,464
Division of Personnel	40	40	284,000	32,110	------	------	+8,000	+480	40	40	292,000	32,590	+500	−20
General Counsel	190	188	1,649,000	202,932	------	------	+24,000	+2,028	190	188	1,673,000	204,960	+2,500	−472
Total	2,089	2,027	13,117,000	1,598,252	−96	−82	−325,000	−6,783	1,993	1,945	12,792,000	1,591,469	+17,000	−23,783
Accounting, auditing, and investigative functions:														
Accounting and auditing policy staff	28	26	268,000	35,160	−4	−2	−19,000	+27	24	24	249,000	35,187	+1,000	−973
Staff management	15	15	131,500	37,277	------	------	+1,000	+3,043	15	15	132,500	40,320	+3,000	+43
Defense Accounting and Auditing Division	825	795	5,723,000	780,542	−20	−20	+30,500	+54,743	805	775	5,753,500	835,285	+59,000	−4,257
Civil Accounting and Auditing Division	761	732	5,813,000	730,822	+11	+14	+272,000	+80,721	772	746	6,085,000	811,543	+64,000	+16,721
Field Operations Division	1,326	1,289	10,392,000	2,837,219	+36	+31	+305,000	+491,749	1,362	1,320	10,697,000	3,328,968	+470,000	+21,749
Total, A.A. & I.	2,955	2,857	22,327,500	4,421,020	+23	+23	+589,500	+630,283	2,978	2,880	22,917,000	5,051,303	+597,000	+33,283
Foreign branches:														
European branch	57	53	497,000	465,884	------	------	------	+11,500	57	53	497,000	477,384	+8,000	+3,500
Far East branch	30	28	260,500	312,844	------	------	+10,500	−10,000	30	28	271,000	302,844	+3,000	−13,000
Total, foreign branches	87	81	757,500	778,728	------	------	+10,500	+1,500	87	81	768,000	780,228	+11,000	−9,500
Total, A.A. & I. and foreign branches	3,042	2,938	23,085,000	5,199,748	+23	+23	+600,000	+631,783	3,065	2,961	23,685,000	5,831,531	+608,000	+23,783
Grand total, all obligations	5,131	4,965	36,202,000	6,798,000	−73	−59	+275,000	+625,000	5,058	4,906	36,477,000	7,423,000	+625,000	0
Total obligations, 1962 and estimate, 1963	------	------	43,000,000	------	------	------	+900,000	------	------	------	43,900,000	------	+625,000	------
Appropriation, 1962	------	------	43,000,000	------	------	------	------	------	------	------	------	------	------	------

GENERAL STATEMENT

Senator MAGNUSON. All right, Mr. Campbell.

Mr. CAMPBELL. Mr. Chairman and members of the subcommittee, we appear before you today to discuss the budget estimates of the U.S. General Accounting Office for the fiscal year 1963. We think that sufficient detail has been included in the justifications furnished this committee to explain our operations and requirements.

APPROPRIATIONS 1962, REQUEST 1963

We are requesting that $43,900,000 be appropriated for the operation of the Office during the fiscal year 1963. This amount represents an increase of $900,000 above the sum appropriated for the fiscal year 1962 and is directly related to planned increases in our professional accounting and auditing staff. With respect to particular items of expense, the amounts are as follows:

(The statistical information table referred to follows:)

[Dollars in thousands]

	1963 estimate	Percent	Revised 1962 amount	Percent	Change
Personnel compensation	$36,477	83.1	$36,202	84.2	+$275
Employer's contribution: CSC retirement, life insurance, health benefits; FICA taxes; Compensation Act, and pensions	2,763	6.3	2,746	6.4	+17
Other personnel benefits: Quarters allowances, suggestion awards, education of dependents	205	.5	205	.5	
Total, personal services and benefits	39,445	89.9	39,153	91.1	+292
Travel	3,275	7.4	2,650	6.1	+625
All other expenses	1,180	2.7	1,197	2.8	−17
Total travel and other	4,455	10.1	3,847	8.9	+608
Grand total	43,900	100.0	43,000	100.0	+900

HOUSE ACTION

Mr. CAMPBELL. The independent offices appropriation bill for 1963, as reported by the House Committee on Appropriations and passed by the House on August 1, 1962, provides for the full amount we requested. The concurrence of your committee with the House action will be appreciated.

That concludes our statement, Mr. Chairman. We will be glad to answer any questions you may have.

Senator ELLENDER. The House gave you everything?

Mr. CAMPBELL. Yes, sir.

EMPLOYEES ABROAD

Senator ELLENDER. How many people do you have abroad?

Mr. CAMPBELL. At the present time we have about 80 in total stationed permanently abroad, but we do have teams going out with them, probably 20 or 30 a year.

Senator ELLENDER. When I was abroad I pointed out a few things to them.

Mr. CAMPBELL. I know you did, in Tokyo.

Senator ELLENDER. Yes.
Mr. CAMPBELL. We have a total of 89 today.
Senator ELLENDER. Eighty-nine?
Mr. CAMPBELL. That does not include Hawaii, of course, or Alaska.
Senator MAGNUSON. Any questions of Mr. Campbell?
As I say, we are glad to have you with us.
Mr. CAMPBELL. Thank you, Mr. Chairman.
Senator MAGNUSON. You cause us very little trouble and we hope we do not cause you too much.
Mr. CAMPBELL. Thank you.
Senator MAGNUSON. Thank you.
We will recess until 2 o'clock when we will hear public witnesses.
(Whereupon, at 12:10 p.m., the committee was recessed, to reconvene at 2 p.m. on the same day.)

(AFTERNOON SESSION—2:10 P.M., TUESDAY, AUGUST 14, 1962)

GENERAL SERVICES ADMINISTRATION

STATEMENT OF HON. J. GLENN BEALL, A U.S. SENATOR FROM THE STATE OF MARYLAND

FEDERAL OFFICE BUILDING, BALTIMORE

Senator ALLOTT. The committee will come to order. Sorry for the delay, gentlemen.
Senator Beall is the first witness.
Senator BEALL. Mr. Chairman, I appear before your subcommittee today to request that the sum of $20,206,000 be added to the budget of the General Services Administration for the Federal office building in Baltimore, Md.
This building was originally authorized pursuant to the Public Building Purchase Contract Act of 1954. In February of 1960, the building was reapproved under the Public Buildings Act of 1959. Funds for acquisition of the site and design of the building have been appropriated and are available.
The Federal building is to be located within the Charles Center urban renewal project in Baltimore. This project includes a public underground garage located adjacent to the Federal building. Before work can begin on the garage, it is necessary that excavation and foundation work be completed on the Federal building. Failure to begin work on the office building first will result in additional costs to the Federal Government and will delay the project for at least 5 months, if not more.

ACTION FOLLOWING ORIGINAL SCHEDULE

As originally scheduled, construction on the Federal building was to begin on or about July 1, 1962. Relying on this date, the city undertook and completed the relocation of 111 businesses from the site needed for the Federal building.
The architects' final plans will not be completed until February 1963, and this perhaps accounts for failure of the Bureau of the Budget to request the necessary funds. On July 31, 1962, I wrote to the Bureau of the Budget, urging that funds be included in the current budget for the Federal building. This morning I received a

letter from the Acting Director of the Bureau of the Budget advising me that the President will transmit and has transmitted to Congress a budget amendment in the amount of $20,206,000 for the building. I ask that a copy of this letter be included in the record.

The problem, simply stated, is this: If funds are included in the GSA budget for fiscal year 1963, construction can begin in April 1963. If we must wait until fiscal year 1964, however, construction will be delayed until September 1963 or later.

RESULT OF DELAY

This delay will result in additional costs to the Federal Government and will subject GSA to criticism from the many businesses and property owners who were forced to vacate. This matter involves more than one Federal building. The Charles Center is being viewed as a model urban renewal project. Unwarranted delays can only cause people to view with alarm the hardships which might attend other projects.

Mr. Chairman, I urge that the committee approve the President's request of $20,206,000 for the Federal office building in Baltimore.

Mr. Chairman, I think there is a copy of the President's request therein.

Senator ALLOTT. Thank you very much, Senator Beall, for your fine statement. And there will be included in the record at this time a letter from the President, a copy of a letter from the President to the President of the Senate, dated August 14, together with a submission of Budget from Mr. Staats to the President on August 13, 1962, and Senate Document No. 120, 87th Congress, 2d session, and we will ask the GSA to provide us a proper amendment so that this matter will be up for consideration before the committee.

Senator BEALL. Thank you, sir.

(The documents referred to follow:)

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., August 15, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, Committee on Appropriaitons, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: This refers to the letter from the President of the United States to the President of the Senate, dated August 14, 1962, transmitting an amendment to the budget for fiscal year 1963 which represents an increase in the amount of $20,206,000 for the General Services Administration.

This amendment is to provide funds for the construction of a Federal office building in Baltimore, Md. Reevaluation of this project in the light of the urban redevelopment program for the area in which construction of this building is proposed convinces us that it is generally advantageous that funds be provided in the appropriation for 1963.

Accordingly, it is requested that this amount be included in the total for the appropriation "Construction, public buildings projects" appearing on page 18, line 3, of the Independent Offices appropriation bill, H.R. 12711, as reported to the House.

On page 19 of the bill after line 20 please insert "Federal office building, Baltimore, Maryland, $20,206,000:". This includes $19,954,000 for improvement costs and $252,000 for fallout shelters.

Sincerely yours,

LAWSON B. KNOTT, JR., *Acting Administrator.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 14, 1962.

Hon. J. GLENN BEALL,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BEALL: This will reply to your letter of July 31, 1962, concerning funds for construction of the Federal Office Building in Baltimore, Md.

The President has considered the need for funds in the current fiscal year and has decided to transmit to the Congress a budget amendment in the amount of $20,206,000 for the building.

Sincerely yours,

ELMER B. STAATS, *Acting Director.*

[S. Doc. 120, 87th Cong., 2d sess.]

COMMUNICATION FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING AN AMENDMENT TO THE BUDGET FOR THE FISCAL YEAR 1963, INVOLVING AN INCREASE IN THE AMOUNT OF $20,206,000, FOR THE GENERAL SERVICES ADMINISTRATION

THE WHITE HOUSE,
Washington, August 14, 1962.

THE PRESIDENT OF THE SENATE.

SIR: I have the honor to transmit herewith for the consideration of the Congress an amendment to the budget for the fiscal year 1963 involving an increase in the amount of $20,206,000 for the General Services Administration.

The details of this amendment, the necessity therefor, and the reasons for its submission at this time are set forth in the attached letter from the Acting Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

JOHN F. KENNEDY.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 13, 1962.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration an amendment to the budget for the fiscal year 1963 involving an increase in the amount of $20,206,000 for the General Services Administration, as follows:

REAL PROPERTY ACTIVITIES

Budget page	Heading	Original estimate	Revised estimate	Increase
677	Construction, Public Buildings Projects..... (After the last project set forth under this heading add the following project): *Federal Office Building, Baltimore, Maryland, $20,206,000:*	$170,481,000	$190,687,000	$20,206,000

This amendment to the budget is to provide funds for the construction of a Federal office building in Baltimore, Md. The building is to be located in an urban renewal project. In order to integrate the building efficiently and economically with the renewal project, it is desirable that construction be expedited and funds be provided in the current fiscal year.

I recommend that the foregoing amendment to the budget for the fiscal year 1963 be transmitted to the Congress.

Respectfully yours,

ELMER B. STAATS,
Acting Director of the Bureau of the Budget.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

STATEMENT OF HON. WILLIAM PROXMIRE, A U.S. SENATOR FROM THE STATE OF WISCONSIN

IMPACT OF SPENDING FOR SPACE

Senator ALLOTT. The next Senator is Senator Proxmire.

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Chairman, I am appearing before this subcommittee at my own request because I am deeply concerned about the impact of the huge increase in spending for space recently authorized by Congress, and projected future space budgets, on our Nation's other vital needs and goals. Let me emphasize at the outset that I do not question the importance of our space effort. I support it warmly. I favor the manned lunar probe enthusiastically. The significant question is not whether our Nation should undertake a space program—of course it should—but rather at what rate we should carry on such a program and what goals we should establish for our space effort, in relation to other important undertakings.

One of the basic responsibilities which Congress has is the allocation of funds to various programs, taking account of priorities and the amount of money which can wisely be spent in any particular program. It is my firm belief that money is being poured into NASA without significant regard to a reasonable scale of national priorities, and at a faster rate than can be prudently used. As a result, fiscal caution is being thrown to the winds in the administration of our Nation's space program.

The available evidence points to one example after another of a disturbing lack of concern about costs, spending, and basic budget discipline in the space program.

ROCKETING COSTS OF SPACE CENTER

One striking instance is the Manned Space Flight Center in Houston, Tex. The projected cost of this installation has zoomed from the initial estimate of $60 million to the current cumulative figure of $90-plus-million. According to a recent New York Times article, the final total cost will be about $123 million, more than double the original estimate, with construction barely started.

I might say when I saw these figures, I thought the Capitol Architect must be working down in Houston, Tex.

Senator ALLOTT. I might say there that the Capitol Architect has shown some facility but not nearly the equal of many others.

Senator PROXMIRE. Well, he apparently has his match in the space operation.

If the cost of the center was to be this high, Congress should have been told the full story right away, instead of being spoonfed the bitter medicine of growing costs dose by dose.

Even the first step of acquiring the land involved a shocking example of ballooning costs. Originally, the site of the center was to be a tract of land donated by Rice Institute. Indeed, the availability of free land was one reason for choosing the Houston location.

But within months after the center was announced, the initial plans were deemed inadequate and an additional 600 acres of land had to be bought.

By that time, land prices around the site had skyrocketed, as can be seen from these independent land appraisals before and after the announcement:

	Before announcement	After announcement
1	$692,875	$1,246,175
2	750,000	1,021,000
3	635,000	720,000

It is my understanding that NASA actually paid $1.4 million for the additional land, about double the price before the premature announcement sent prices shooting up.

Both these matters—the vastly increased cost of the center itself and the unnecessarily high cost of land acquisition—raise serious questions about the prudence with which the space program is administered.

AMOUNT OF $10.6 MILLION FOR LOW PRIORITY FACILITY

Another instance of the lack of sensitivity to costs: In the additional $30.7 million requested in the current budget for the Manned Space Flight Center there is included $10.6 million for a "flight acceleration" facility, with centrifuge and supporting equipment.

I seriously question the need for this item, in view of the fact that the Navy's $5.7 million Johnsville centrifuge will provide ample capacity to handle tests on the APOLLO and the DYNA-SOAR (X–20). It strongly appears that the new centrifuge in Houston would be more a convenience than a necessity—but a $10.6 million convenience.

While it may be maintained that the new centrifuge will accommodate the larger vehicles that will follow APOLLO, it would certainly make sense to wait until these are at least more fully conceived and are approaching the serious design stage before building a device at enormous cost to test them.

This will prevent expensive errors resulting from going to the construction stage before we know what we are doing. The land has been ecquired, and there will be ample time later to build the facility when it is needed.

In addition to the Houston centrifuge and the existing Johnsville facility, this year's NASA budget requests two other centrifuges, one at Ames and one at Goddard. Just last year the National Academy of Sciences reported that existing centrifuges and similar motion devices for research were underutilized, partly because of a critical shortage of qualified personnel to operate them.

In the light of this comment, I urge the subcommittee to scrutinize very carefully the justification for building still more excess capacity for flight acceleration testing purposes.

BUDGET BUREAU SCRUTINY IS MINIMAL

The responsibility of this subcommittee is all the greater because, as indicated during the House appropriation hearings, this is one appropriaiton which the Budget Bureau leaves virtually untouched. The budget request has come to Congress almost precisely as NASA submitted it to the President.

This is a rare accomplishment indeed, but it imposes a far greater than normal responsibility on Congress to make sure that every item in the budget is fully justified, necessary, and to be acquired at reasonable cost.

In pointed contrast to the lax practices of the space agency, the Defense Department has just announced a cost cutting and control program that is estimated to save $3 billion in procurement costs per year at the end of 5 years. This kind of rigorous attention to budget control guarding against unnecessary and overlapping expenditures, is urgently needed in our space effort.

Another specific aspect of our mushrooming space effort that concerns me is NASA's increasing tendency to dispense with advertised competitive bidding in the award of space procurement contracts. I recognize that certain aspects of the space program may be difficult to operate under the sound discipline of advertised compeitive bidding. But this is by no means the case universally. It has been shown time and time again that competitive bidding is the most effective way to reduce costs and is the fairest to all companies concerned. Departures from this procedure should be an infrequent as possible and should only occur when clearly and absolutely necessary.

The use of so-called competitive negotiation rather than advertised competitive bidding, while probably preferable to sole source procurement, nonetheless lacks both of the main virtues of formal competition. It does not allow all interested firms to compete. And it does not impose the same solid cost discipline. While I recognize the urgency with which our space program is viewed, I cannot believe that the need for speed is so great that NASA should virtually ignore competitive bidding. With all the urgency of military procurement, the Defense Department has a far better record on competitive bidding.

"COMPETITIVE NEGOTIATIONS" NOT SO COMPETITIVE

Upon detailed investigation "competitive negotiation" often turns out to be a lot less competitive than the term suggests. The contract for the SATURN S–1 is an interesting example of this. Before this $200 million contract was awarded, the Chrysler Corp. had already put in over 2 million man-hours on the SATURN project. For 18 months before the award, Chrysler had over 700 men working at Huntsville on SATURN. The corporation earned over $16 million on this project before the contract competition and award. Not surprisingly, Chrysler got the $200 million contract.

Surely this makes a farce of a procedure designated as "competitive." While certain other firms also had engineering contracts for SATURN before the contract was awarded, none of these were of the same order of magnitude, and none of the other firms were of a size to permit realistic bidding on the $200 million prime contract.

This practice of permitting one company to get a tremendous head start in the construction of a major new space item before specific contracts are awarded simply cannot be justified in the name of competition. This committee should investigate carefully the circumstances under which so-called competitive negotiation was conducted in this and other instances. The close relationships that undoubtedly exist between the "negotiators" on both sides—NASA and the firm doing the extensive precontract development work—make it extremely doubtful that the negotiations are in any real sense competitive.

So far, I have been dealing only with a few examples of loose management of our huge space expenditures. In addition to these, I would like to draw the attention of the subcommittee to the long-range implications of the space effort, and to the many problems which can be foreseen. These problems may be of great magnitude because, as this committee well knows, the space program's sheer size—in terms of dollars and resources, both human and material—makes it without question the largest undertaking of the U.S. Government since the total involvement of our economy and Nation in World War II.

Already the massive cost and rate of growth of our space program are putting serious strains on our Nation's scientific and defense capabilities, and on scientific education. Our entire space effort can have staggering effects on our education system, our supply of scientific manpower, our industrial defense capability, and on the American taxpayer. Comprehensive detailed study of these effects should be undertaken immediately.

DRAIN ON SCIENTIFIC MANPOWER

The National Aeronautics and Space Administration already is draining our limited supply of scientific and engineering personnel, thus reducing the manpower available for work in defense, industry, and education. This crucial problem of scientific manpower should be recognized now, and steps should be taken at once to solve it.

A recent article in the Washington Post entitled "Moon Aims Strain Manpower Supply" noted that NASA will need approximately 13,000 more scientists and engineers in the next few years in order to carry out its projected program. The article went on to say:

> There is now danger that space program recruiters will begin to entice scientists and engineers away from other Government agencies and laboratories and then from universities.

Yet at the same time private industry and the universities will be demanding more scientific manpower in order to carry out their functions. The question I am asking is this: Where are all these extra scientists and engineers going to come from? From our graduating university classes? Hardly. The proportion of scientists and engineers in graduating classes has been declining for several years and the industrial and especially defense demand for these graduates has greatly increased.

To try to get an answer to this question, I wrote to Dr. Howard A. Meyerhoff, executive director of the Scientific Manpower Commission. He replied:

> I have been working on the scientific and engineering manpower problem for nearly 10 years, and even if I apply my imagination to my knowledge, I frankly do not know where these people are coming from, unless we are prepared to cut

back sharply on the use of competent teachers in our institutions of learning, and on research and development in industry, and in other Government agencies.

Dr. Meyerhoff came to this conclusion:

* * * NASA's manpower requirements have not been integrated and therefore have not been seen in perspective in relation to other overall needs in education, industry, and Government.

This is what one competent authority has to say about how the huge expenditures for our space program are going to affect our supply of scientific manpower.

Our Nation's scientific manpower is just one specific aspect of the larger general problem of viewing our space program in the context of our Nation's priorities and needs. Several eminent scientists have spoken out against placing an excessive emphasis on a space program. For example, Dr. James R. Killian, Jr., chairman of the MIT corporation, perhaps the Nation's greatest institution of scientific learning, and first science adviser to President Eisenhower, said recently:

The United States must decide whether it can justify billions of dollars for man in space when its educational system is so inadequately supported.

And further, he warned:

The Nation must seek to determine whether it is now proceeding too rapidly in this area and whether it can manage the present man-in-space program without weakening other important national programs, including defense.

MAGNITUDE OF SPACE PROGRAM QUESTIONED

Along the same lines, a distinguished Member of the House, Congressman Chet Holifield, chairman of the Joint Atomic Energy Committee, stated on a television program in June, speaking of our space program:

I have seen what I think (are) very worthwhile programs in applied science, which have direct benefit to the people of America, put on the shelf for the pursuit of some fantastic objective which may or may not be attained 10 or 15 years from now. And, in the meantime, the people are denied the benefits which are just around the corner.

In the New York Times of August 12, 1962, last Sunday, the distinguished columnist James Reston addressed himself to this key question. He wrote:

There is a growing uneasiness among many thoughtful people in the country these days about the cost of our military and space programs.

I ask unanimous consent that an excerpt from this column be put in the record. I think it is excellent documentation of the need to reconsider the whole objective and the timing of the space program.

Senator ALLOTT. It will be printed.

(The article referred to continues as follows:)

The issue is not whether the Nation should defend the free world and explore outer space but whether the military aid programs to other countries, the propaganda aspects of the space program, and the military budget itself can be modified to do the job with considerably less money—the savings to be used in other ways.

Former President Eisenhower, for example, was saying this week that the space budget, averaging between $3 billion and $5 billion a year, was well beyond its scientific requirements. His chief scientific adviser in the White House, Professor Kistiakowsky, of Harvard, calls the space program a technological spectacular, more concerned with national prestige than scientific progress.

Warren Weaver, former president of the American Association for the Advancement of Science, puts the cost of the man-on-the-moon project at $30 billion and adds: "I believe that most scientists consider the proposed expenditure quite unjustified on the grounds of scientific considerations, and also consider the frantic pace of the program to be wasteful."

Dr. E. U. Condon, professor of physics at Washington University in St. Louis and former Director of the National Bureau of Standards, said this week in Colorado that the unmanned flights to the moon were valuable for astrophysics but quite inexpensive compared to the cost of trying to send a man there and bringing him back alive. This latter part of the program he defined as a kind of "lunar Olympic game."

Mr. Reston further reports Dr. Weaver's comments on what alternative projects might be accomplished with the funds for the man-in-the-moon project over the next decade. He writes: "With this money, we could give a 10-percent raise in salary for 10 years to every teacher in the United States ($9.8 billion); give $10 million each to 200 of the best small colleges in the Nation ($2 billion); finance 7-year fellowships at $4,000 a year for 50,000 new scientists and engineers ($1.4 billion); contribute $200 million each to create 10 new medical schools ($2 billion); build and largely endow complete universities for all 53 of the nations which have been added to the United Nations since it was founded ($13.2 billion); create 3 more permanent Rockefeller Foundations ($1.5 billion)." He observes that we would still have $100 million left over to educate the people on the changes in the modern world.

DIVISION OF RESOURCES

Senator PROXMIRE. It is plain that the massive size and rapid growth rate of our space effort are having the effect of diverting resources away from the fulfillment of other vital needs and goals which merit high national priority. The task of properly evaluating the relative priorities of these goals must be shouldered by Congress—particularly through its control of appropriations. I believe that Congress can fulfill this responsibility by more carefully evaluating the enormous expenditure increases that are programed for space, and by cutting back judiciously to bring these programs back into balance with other national priorities.

As I said before, I do not object to our effort to land men on the moon. Some protests against the usefulness of this undertaking have been voiced, but I reject them. Man's ambition has brought him to the brink of a great adventure in space, and our country should indeed work hard to be first with a manned lunar landing.

On the basis of recent developments, that won't be easy. But our space program should be kept in balance with other national goals. If huge costs are to be incurred, if billions of dollars are to be spent, we should explore the implications of this commitment in advance, with our eyes open, taking every possible step to judge the value of what we will be getting for our investment.

RATE OF SPACE PROGRAM IMPORTANT

The significant question is not whether we should undertake a space program—of course we should—but rather at what rate such a program is carried on, and what specific goals are set for it.

I have drawn the attention of this subcommittee to two distinct problems concerning our space expenditures: First, to specific examples of looseness in the administration of the tremendous amount of money going into our space program, and second, to the long-range impact of these huge space expenditures on other vital national needs and goals, particularly on our supply of scientific manpower.

In view of the staggering effects which the presently projected space program could have upon education, scientific manpower, and even our defense capabilities, I hope that the subcommittee will take a hardheaded and realistic approach in analyzing our long-range space objectives and will trim from our space program those projects which are of secondary importance. To help accomplish this I propose two specific recommendations:

(1) The subcommittee should request NASA to make alternative proposals to show specifically how a slower expansion of funds for the space program would affect the man-to-the-moon timetable and other NASA goals;

(2) NASA should be requested to provide a justification for the timing of the lunar effort in addition to its item-by-item cost justification.

Further, turning to the present budget, I have pointed out examples which indicate that because of the rapid growth of the space program, the usual procedures of sound budgetary control are not being applied. As a result, NASA has received what amounts to a carte blanche to spend money in any way it desires.

The evidence, though fragmentary because no one is investigating these matters adequately, clearly points to imprudent administration of our space budget. The specific examples which I cited are symptomatic, I feel, of the general looseness with which these funds are being expended.

Senator ALLOTT. Thank you very much, Senator, for a very constructive statement, and I must say that the acting chairman concurs in a great deal of what you have to say, as I have indicated to you before.

Senator PROXMIRE. I am grateful.

Senator ALLOTT. We have a vote on the floor.

Senator Williams, you will be the first witness when we reconvene. We will be in recess for a few minutes.

(At this point a short recess was taken.)

Senator ALLOTT. The committee will come to order.

The next witness will be Senator Williams of New Jersey.

HOUSING AND HOME FINANCE AGENCY

STATEMENT OF HON. HARRISON A. WILLIAMS, JR., A U.S. SENATOR FROM THE STATE OF NEW JERSEY

FUNDS FOR HOUSING AND HOME FINANCE

Senator WILLIAMS. Thank you, Mr. Chairman. I appreciate the opportunity to appear here in connection with your consideration of the independent offices appropriations bill, and I want to deal specifically with the appropriations for the Housing and Home Finance Agency.

I am glad I have the opportunity to follow Senator Proxmire, who talked about our space programs and the spending we are doing for outer space and the Space Flight Center at Houston which he testified has grown to monumental dimensions of about $90 million.

OPEN SPACE

I am here to talk about space, too, but this isn't outer space. This is space where the people are, open space, and the program that we enacted last year, the Federal program, to stimulate communities to the reservation of open spaces in urban-suburban areas for the opportunity of maintaining our sanity in these areas that are developing so rapidly. Land is being taken so vastly. Ninety million dollars for the Manned Space Flight Center in Houston, and before us is the House appropriations bill which restricts the open space program for the entire country, effectively restricts it to $15 million for this fiscal year.

Last year Congress provided contract authorization of $50 million to the Housing and Home Finance Agency, and now through their own back door the House Appropriations Committee has limited this contract authority by restricting the administrative funds to the use of only $15 million for the entire progam.

Now, the acting chairman of this committee has the great good fortune to come from the beautiful State of Colorado, and just this week I saw a picture of Aspen described as one of the most attractive, beautiful cities in the country. Maybe open space isn't a problem for most of the State of Colorado, and yet perhaps it is, too.

The people of Denver, for example, I hope have preserved the opportunity for some breathing area within the city of Denver.

OPEN SPACE PROBLEM IN CITIES

Senator ALLOTT. Let me say to the distinguished Senator from New Jersey that what he says is correct. We are a little proud of our State of Colorado, and mostly space is not a major problem, but in our larger cities the problem of space within cities is one that we have to deal with, but not to the extent that I am sure my friend has to deal with it constantly.

Senator WILLIAMS. Of course, we have the good fortune, too, of working here for a while in the city of Washington that with great foresight has preserved priceless open areas such as Rock Creek Park. But the fact of the matter is that across the country, in cities, and then in the suburbs, until very recently there hasn't been the attention to what man needs, I won't say most of all, but certainly needs the opportunity for open areas, breathing space.

STATES' INTEREST IN OPEN SPACE

It is fortunate, too, that many of the States are now beginning their own programs. The State of New York. My home State of New Jersey. The State of Wisconsin. They have developed green acre open space programs, and the State of New Jersey, its program is larger than the entire Federal porgram.

Now, what developed here, I gather, is that the House Appropriations Committee, first of all, met this problem of contract authority at a slant. The Appropriations Committee doesn't like this method of financing. But rather than take it as an issue to the floor and vote it up or down, they used this mechanism of limiting the administrative funds.

LIMITATION ON ADMINISTRATIVE FUNDS

This is a new back door which I think represents an abuse of power. This was done last year in the closing hours of the session. The House limited the funds for the program, the administrative funds, to less than what was authorized to the contract authority.

They did this nefarious act and went home. We discovered, as you will recall, at 4 in the morning that there was no opportunity to correct what we felt was an abuse of authority over there.

Well, that is one point and, of course, this committee can restore the intention of Congress when it passed this authority by restoring the full amount.

HOUSE ACTION ON CONTRACTED OBLIGATION

Another point they made was that only $3 million had been contracted for. It was a $50 million program. Only $3 million had been contracted for. There were 63 applications. They would take a total, if all were accepted, of $11 million, and therefore why do they need more than $15? Well, as a matter of fact, if the 63 applications were accepted and applications are coming in at about 6 a week, this money could be used up in a matter of weeks and there would only be a very little for the entire balance of the year.

So I think that the Senate here through its honored Appropriations Committee can correct the violation of principles and can give to this country the beginnings of a program, and that is what it amounts to, in terms of not outer space but space right where the people in this country work and live.

I also do regret, too, that the mass transportation program got similar treatment in the hands of the House Appropriations Committee.

This has made it more complicated, of course, and the big point here is that we have before us, we will shortly have before us the $500 million mass transportation program of the administration and the critical need, of course, here is to have the Appropriations Committee after this is authorized, when and if, and we think it will be, act and appropriate the money for that program later in the session.

URBAN RESEARCH

Finally, the figure for urban research in the Housing and Home Finance Agency has been fixed by the House at $375,000 which is pitiful when you think that this Agency directly and through its guaranty and insurance programs is behind a multibillion dollar urban development program of housing and urban renewal and all of the rest.

And if there is anything we need, it is an understanding of what is happening in urban-suburban areas, and this little bit of money won't be very meaningful.

The President asked $1,450,000 and when that is compared with the need, even that is very modest, and I respectfully urge that here, too, wisdom of the chairman and the other members of this committee will be brought to bear to at least restore what the President asked for in terms of urban research which is so greatly needed.

Senator ALLOTT. Thank you, Senator. I know of your interest in these matters. The House report with respect to mass transportation said that the legislative committee has not yet authorized any additional funds. Has that been changed since this report was written? I don't think it has.

Senator WILLIAMS. That was my last reference, to the $500 million program that has been reported by both substantive committees in the House and Senate, by the full committees in the House and Senate.

That matter here is before the policy committee and it is anticipated it will be brought to the floor.

OPEN SPACE LAND GRANT

Senator ALLOTT. Now with respect to the open space land grants, I think the same situation prevails. This committee received testimony just a day or two ago on this matter. There was a $50 million authorization: $35 million was appropriated last year, $15 million is asked for this year, and I think we are in the same position with respect to authorization as we are in the other situation.

Senator WILLIAMS. Well, not quite, because in the open space, we are not coming to the Congress with a new authorization for the open space program, whereas we are in mass transportation. There it is a substantively new program.

HOUSE LANGUAGE

Senator ALLOTT. Yes, but as far as the committee is concerned, I just wanted to call the Senator's attention to the House language which reads that—

while legislation has been requested to increase the program authorization by $50 million, but this has not yet been reported by the legislative committee—

so that if we appropriated $15 million, we would appropriate up to the present authorization.

Mr. WILLIAMS. Oh, no. No.

Senator ALLOTT. Well, then the House language is in the——

Senator WILLIAMS. The legislation that we enacted provided for $50 million for the open space program. Through their sliding door, toward the back of the committee, they limited the funds, administrative funds that could be applied to the program, to $35 million last year, which will now lapse. But the original $50 million contract authorization still remains available.

This year they are limiting the administrative funds to the use of $15 million for this fiscal year. So there is a balance of authorization well beyond $15 million which amounts to about $31 to $32 million.

Senator ALLOTT. Well, I would suggest that the Senator look at the House report if he has not because they have taken the point of view that the $50 million is all that is presently authorized.

Senator WILLIAMS. That is true. That is true. But they have not permitted that full $50 million program to be effective because they have limited the effectiveness of the program by limiting administrative funds to a piddling $15 million for the whole country.

Senator ALLOTT. Thank you very much.

Senator WILLIAMS. Thank you very much, Mr. Chairman.

(The statement of Senator Williams follows:)

STATEMENT OF SENATOR HARRISON A. WILLIAMS

Mr. Chairman, I very much appreciate the opportunity to testify here today on the independent offices appropriations bill, H.R. 12711, with respect to the appropriations for the Housing and Home Finance Agency.

I know you have many witnesses to hear today, so I will try to make my statement as brief as possible, but I do feel compelled to express my deep concern over three items in the bill concerning the Housing Agency's budget.

First, is the most unfortunate restriction that was placed on the open space program by the House Appropriations Committee.

As you know, the House version added language which has the effect of limiting the open space program to $15 million for this fiscal year, preventing the Housing Agency from making any commitments on the remainder of the $50 million which the Congress expressly authorized last year.

I earnestly hope this committee will remove this restriction which has badly tarnished the bright hope for an effective open space program for the urban areas of the country. I think this is a most important and promising program to give our rapidly growing cities and suburbs a little more breathing space.

This country has plenty of so-called open space. Unfortunately there is far too little of it where people live day in and day out—in our rapidly growing communities, large and small.

If we do not plan and provide for adequate amounts of open space land as an integral part of community development, our urban areas will simply continue to expand farther and farther out—with no relief from concrete and asphalt of urban development.

I think most people will agree that one of the things that makes our Nation's Capital such a delight is the ample provision of park and open space land, like Rock Creek Park in the heart of the city.

To date, the Housing Agency has made grant commitments of a little over $3 million. But I feel that this is in no way indicative of the tremendous need for this program and the prospects for providing useful assistance in this fiscal year.

Already the States of New Jersey, New York, and Wisconsin have each approved similar programs calling for expenditures as large or larger than the Federal open space program passed last year. Several other States are preparing similar programs.

By imposing the $15 million limitation, the House version of the bill is, in effect, penalizing the Housing Agency for the care it took in making sure that the program started off on a sound and proper basis.

As you know, all new programs start rather slowly, and this one involves entirely new concepts and poses entirely new questions. The educational process is in itself time consuming.

In addition, the program provides strict planning requirements to prevent the waste and misapplication of the Federal funds. To receive assistance under the bill, there must be a comprehensive plan for the locality, and there must be a program of comprehensive planning being actively carried on for the urban area as a whole—which is often a larger area than the jurisdiction of the applicant body.

At present the Housing Agency has 63 applications on hand, with new ones coming in at the rate of about a half a dozen a week. The 63 applications, if approved, would involve a Federal expenditure of about $11 million, and these applications will probably be processed within a couple of months. This means that the Agency will have only $4 million or so to last for the remaining 8 or 9 months of the fiscal year.

But my opposition to the $15 million limit imposed by the House is more fundamental than the fact that I think it will seriously impede the progress of the program this year. It also involves a matter of principle.

Last year the Congress approved and the President signed the bill which established this program; and this action expressly gave the Agency the authority to make grant contracts for a total of $50 million.

Despite the fact that the Appropriations Committee have opportunity to question, probe, and review the program every year, the House Appropriations Committee opposes this method of financing, which has worked so well in other areas and which is so important for the long-range planning and programing of the local communities.

But instead of attempting to persuade the Congress to change its mind and repeal the contract authorization provided in the bill, the House committee decided to adopt its own "backdoor" tactics by using the funds for administrative expenses as a hostage for gaining control over the size of the program. It succeeded in this maneuver during the closing hours on the last day of the session last year, by inserting the limitation in the conference report on the supplemental appropriation bill, and then adjourning before the Senate could do anything about it. Now the same maneuver is being attempted again, and I must say frankly that I think this is a gross abuse of power by the House Appropriations Committee.

Therefore, I earnestly hope this committee will reject this arbitrary limitation by the House and enact the language recommended by the President in his budget message to the Congress, for again I believe the principle involved here is most important and most far reaching in its implications.

Second, is the provision in the bill relating to the mass transportation program, which suffered actions similar to those taken on the open space program. The transit program has had especially unique problems which have been complicated by the pending $500 million mass transportation program proposed by the administration for enactment this year.

I hope the committee will see fit to accept the administration's original recommendations concerning the existing program, but, of course, the critical need is for favorable action by the Appropriations Committees after Congress has passed the proposed legislation, which has been favorably reported by the legislative committees of both Houses and which I am hopeful the Congress will pass in the remaining weeks of this session.

Finally, I would like to strongly urge restoration of the full administration request for $1,450,000 for housing and urban research, which has been cut to a mere $375,000 by the House. Frankly, I think the administration's request for only $1.4 million is pathetic.

The Housing Agency is the fourth largest agency of the Government in terms of expenditures, and each year it spends, or makes it possible for others to spend, billions of dollars in the field of housing and urban development. Yet it hasn't got a research program worthy of the name. It seems to me that an on-going and full-scale research program is absolutely essential if the Agency is to spend all this money wisely and insure that the taxpayer is getting his dollar's worth. I know this isn't the time for a thoroughgoing review of this subject, but I think the least the Congress could do would be to provide the amount requested by the administration for the nine studies proposed by the Agency. They are all badly needed.

Thank you.

AIR CARRIER SUBSIDIES AND APPROPRIATION FOR FEDERAL BUILDING AT JUNEAU

STATEMENT OF HON. E. L. BARTLETT, A U.S. SENATOR FROM THE STATE OF ALASKA

PREPARED STATEMENT

Senator ALLOTT. The next Senator on the list is Senator Bartlett.

Senator BARTLETT. Thank you. I have a prepared statement here and I would ask your permission to place it in the record and summarize from it.

Senator ALLOTT. The complete statement will be inserted in the record and the Senator may proceed as he sees fit.

(The statement referred to follows:)

Mr. Chairman, there are two items of particular interest to Alaska contained in the Independent Offices Appropriation Act for the 1963 fiscal year which I should like to discuss, one relating to subsidies for air carriers, including those serving Alaska, and the second having to do with appropriations for the proposed Federal building at Juneau.

SUBSIDY PAYMENTS

As a member of the Commerce Committee I have, as does the chairman of this subcommittee, a vital interest in problems covering all fields of transportation. Those problems are complex and perlexing and very real. The executive

and legislative branches are doing all possible to come up with solutions, working with the industries affected. It was, therefore, of particular concern to me when I learned of the House action in cutting the 1963 fiscal year subsidy payments to air carriers from the budget request of $84,578,000 to $71,900,000, or a cut of something over $12½ million, representing a 15-percent reduction. It is my understanding that the subsidy estimates submitted in January were figured last fall, and that in the intervening months it has been possible to come up with what the CAB officials believe are as firm figures as possible, or a need for $83,078,000. I urge, therefore, that the House cut be restored to that figure.

Although assurances were given in the House that if the needs for subsidies rose above the $71,900,000 allowed the necessary funds would be made available through deficiency or supplemental appropriations, I do not believe this is the way we should do business. The CAB determines what routes should be certificated. These certificates are issued following exhaustive investigations and determination is made in the public interest. In the last fiscal year awards of a number of new routes were made and it is expected that increased routes will be established in this fiscal year.

The routes are established in the public interest. Subsidies are paid in the public interest. Assurances of subsidies form a contract, it seems to me, between the carriers and the CAB in the public interest. The air carriers are modernizing their equipment which should generate more traffic, and I believe it can be predicted that the subsidy payments will decrease as these factors are fully in operation.

There is no loss or additional expense to the Government if the $83 million in subsidies the CAB is now requesting is unexpectedly found excessive. On the other hand the air carriers can well be placed in a difficult position if the subsidy fund runs out and they must wait for Congress to make up the difference through deficiency or supplemental action. At best such action takes many, many weeks, and the air carriers should not be forced, as they have on more than one occasion, to obtain short-term loans to tide them over. This isn't fair treatment when so many of the air carriers are operating on slim capitalization. The CAB has determined that certain communities are to be served by certain routes, the Congress has said that subsidies are to be paid to carry out such service in the public interest, the CAB has determined what those subsidies should be this year. It makes sense that the request should be honored, and it would ill become us to do otherwise.

Certainly, the size of the subsidy is of concern to all those interested in the problem. The CAB, working in cooperation with the Association of Local Transport Airlines and others, is studying ways and means for possible annual reduction of subsidy payments. By June of next year, in accordance with the request in the President's transportation message, the CAB is to submit a detailed program for such reduction. I am as desirous as anyone that such a program can be spelled out. We all want a healthy air carrier industry in existence to give the service Americans deserve.

And nowhere in America are there more air-minded persons than in Alaska, and nowhere are people more dependent on this means of transportation. Included in the $83 million-plus being sought for subsidy payments is the sum of $7,894,000 for Alaska operations of Alaska Airlines, Alaska Coastal-Ellis Airlines, Cordova Airlines, Northern Consolidated Airlines, Wien Alaska Airlines, Kodiak Airlines, and Pacific Northern Airlines. Happily, this represents a considerable reduction from the 1962 estimated payments of $8,648,000. This decrease results, according to the CAB, from (1) a substantial decrease for Pacific Northern Airlines based upon acquisition of jet equipment under a loan guarantee from the Board; (2) estimated increase in the volume of mail and the related amount of service mail pay projected for Alaska carriers this year; and (3) the merger of Ellis and Alaska Coastal into Alaska Coastal-Ellis Airlines.

The public demands on these airlines are such that I hope no cuts will be made to the overall CAB subsidy request so as to affect the Alaska carriers.

Here is what a recent Federal Aviation Agency report on Alaska air travel had to say: "No matter how you figure it—by number of aircraft, number of pilots, number of passengers, or amount of cargo—Alaska is the "flyingest" State of the Union on a per capita basis. Aviation is a primary means of transportation both for goods and people, and a greater percentage of the State's population is either directly or indirectly associated with flying than in any

other State of the Nation. Be he miner, trapper, teacher, clergyman, student, or businessman, the average Alaskan's conversation is as likely to center around what type of airplane he flies in as around the model car he drives."

Much of Alaska's development would never have taken place without the airplane. Alaska is over 365 million acres in area. FAA records list some 373 landing facilities in Alaska but state the figures are probably far too low. We have large airports to serve the more populated areas in Alaska, and we have airstrips and seaplane floats to serve our canneries, our logging camps, our mining fields, our Government activities, our people. Alaska's dependence on the airplane is well illustrated by the following: In 1960, 190 pounds of mail and cargo per person were hauled in Alaska by scheduled carriers as compared with the national figure of 7.6 pounds per person. Alaska has 1 aircraft for each 156 persons compared with Nevada, the highest in the other States, which has 1 for every 625. This compares with New York State which has 1 for every 4,545 persons.

Airline traffic in 1960 increased 12 percent over 1959 with airlines carrying 65.6 percent of the total traffic in Alaska. This service cannot be diminished; it must not be diluted or jeopardized.

JUNEAU FEDERAL BUILDING

To get back on the ground, I want to speak now of the $12,290,000 in the budget for construction of a vitally needed Federal building in Juneau, Alaska's capital city, and to urge that the House cut of some 7 percent in construction costs, which was applied also to the several dozen other Federal buildings throughout the country, be restored. It is my understanding that officials of the General Services Administration have appeared before this subcommittee requesting restoration of the construction cut and urging that at least some of the provisions for fallout shelters deleted by the House be restored, including the plans for the Juneau building. The $12,290,000 budget request for the Alaska facility includes $12,087,000 for basic construction plus $203,000 for a fallout shelter in the new building.

Mr. Chairman, you know full well the problem we face in Alaska of high construction costs. In making the 7-percent cut on all the Federal buildings, the House report stated: "The budget estimates for new projects were compared with the actual costs experienced for representative projects that have been completed or are under construction." There is no way of knowing, but I suspect it is true, that the cost comparisons were made in the other 48 continental States, and that Alaska's cost factors were not considered.

Through the statehood law, the former Territorial and Federal building in Juneau was turned over to the new State, and during the intervening time the Federal agencies have been gradually moved out. At the present time General Services Administration is reimbursing the State of Alaska for about 2,300 square feet of space in this building and is renting quarters in some 12 other buildings throughout Juneau. In addition, the post office quarters remain in the building occupying some 9,000 square feet of space.

The new Federal building is badly needed to house some 950 Federal employees of about 14 Federal agencies in addition to the need for post office and court space. The new building over the years will save the Federal Government money. I am advised by GSA that $19,332 a year is now being paid to the State for the footage in the State building, and that approximately $320,000 a year is going for the leasing of other space throughout Juneau.

Here is what the budget request would buy: An eight-story building, plus a basement, mezzanine, and utility penthouse, with the post office facilities taking up the first floor. Upper floors will be used to accommodate a district court facility and offices of the various Federal agencies, including Agriculture, Civil Service, Commerce, Defense, FCC, HEW, Interior, Justice, Labor, Selective Service, Treasury, Veteran's Administration, and GSA. The plans contemplate a gross area of 292,000 square feet and a net area of usable space of around 207,000 square feet. The gross square footage, of course, contains public corridors and foyers, elevator shafts, stairways, etc.

The architects working on the plan were from Seattle and Juneau and I believe they have designed an admirable building to meet the urgent need.

The people of Juneau, cooperating closely with GSA officials, worked out difficult problems in the acquisition of the land for the building. The selection was preceded by advertising, which resulted in 14 proposals and 2 letter offers. Var-

ious potential sites were inspected and all but the one selected had to be eliminated because of insufficient size, excessive cost, or extreme traffic congestion. Governor Egan, city officials, members of the chamber of commerce, and many others are to be especially commended for all the yeoman work they did in their anxiety to meet the vital need for the building.

The building is an excellent Federal investment, and I urge that the full budget request be approved.

CAB Subsidies to Airlines

Senator Magnuson. This is on the Juneau——

Senator Bartlett. The airlines. I desire to discuss only two of the items before you, Mr. Chairman. One relates to the CAB subsidies, and that amount was submitted in the budget in the amount of $84,578,000. The House took a whack and cut it by the very appreciable amount of $12,678,000.

Revised Estimate

My understanding is that the revised CAB estimates before you request $83,078,000.

Now, I don't imagine any three Senators could be more informed of the need for this type of service than the chairman of the subcommittee, the Senator from Washington, Mr. Magnuson, the Senator from Colorado, Mr. Allott, and I, because our areas depend to a very considerable extent upon so-called airline feeder service, and it has become all the more essential, as we know, not only in our areas of the country, but generally, with the decrease in train service and oftentimes its complete elimination.

CAB Controlled Arrangements

No one wants to grant a continuing subsidy, but, after all, the Congress authorized this. The CAB has entered into what is in effect a contractual arrangement with the several airlines involved, and I should think that we here have a duty to perform in living up to that. And the testimony given in many quarters is that the outlook is hopeful for a continuing reduction in the subsidy requirements in the years ahead.

Alaskan Situation Unique

For example, in Alaska where we have unique dependence upon airplane transportation, the estimates are just about three-quarters of a million dollars less than they were for last year, and we expect this to become even more favorable as time goes on.

In brief, I think that we can't gamble because we need these lines and the entire amount requested by the CAB granted because I can't conceive of that agency coming up here and giving inflated figures.

Federal Building, Juneau

Now, one other subject I desire to discuss relates to the Federal building at Juneau. The budget estimate for that was $12,290,000 and the House cut out $203,000 for fallout shelter and also applied to the Juneau building the 7 percent construction cut that was likewise applied to all Federal buildings slated for construction throughout the country.

I don't know why that was done. I would think that if the estimate were placed here, it would be in a reasonable amount and if it were too high, the bids would accordingly reflect lowered construction costs.

The Juneau building will house, it is planned, about 950 Federal employees and will save the Government quite a little money because right now the Federal Government is paying roughly $350,000 a year for rent. And so I hope, gentlemen of the committee, that the entire budget request for this new building in Alaska's capital will be allowed.

That is all I have.

Senator ALLOTT. I want to thank the Senator very much. Do you have any questions?

Senator MAGNUSON. No.

Senator ALLOTT. I might say that in the first instance the CAB made a very good case to this committee. This involves a situation which has been more or less in dispute between the House and the Senate for several years. Also, with respect to the fallout shelters, the same basic question is involved—that of a longstanding dispute between the House and Senate.

Senator BARTLETT. Thank you.

URGENT NEED OF SERVICE

I have just one final word. My interest, of course, in the aviation situation centers on Alaska but as a member of the Aviation Subcommittee of the Commerce Committee, which is headed by the distinguished chairman of this subcommittee, I know the urgent need of this type of service through great areas of the country and it is just absolutely essential.

Thank you.

Senator MAGNUSON. Well, they have got to pay it anyway. It is a legal contractual obligation.

Senator ALLOTT. And if they are not paid, a lot of these companies will suffer, particularly at the end of the fiscal year.

Senator BARTLETT. And their patrons will suffer, too.

Senator ALLOTT. The committee will stand in recess.

(Recess.)

Senator MAGNUSON. Senator Keating, we will now hear your statement.

GENERAL SERVICES ADMINISTRATION

STATEMENT OF HON. KENNETH KEATING, A U.S. SENATOR FROM THE STATE OF NEW YORK

ROCHESTER FEDERAL BUILDING

Senator KEATING. Mr. Chairman, I was very pleased to see on July 27 that the House, in the independent offices appropriations bill, H.R. 12711, approved the sum of $673,000 for preliminary planning and the start of construction on the Rochester Federal building for Rochester's Civic Center. I appreciate greatly the opportunity to express my views on this project before the Senate Appropriations Committee.

This building has been under consideration since 1954 when tentative plans were approved by the then acting Federal Commissioner of Public Buildings, J. E. Strawser. In October of that year, I expressed my hope that a $5 million building would be commenced under the lease-purchase program. At that time, Gordon Howe, the chairman of the civic center commission, and I, urged GSA to make plans for this building. Four years later, when I was still representing the 38th District in the House, I saw what seemed to be an end to my hopes; the abandonment of the lease-purchase program by GSA. Now, finally, after 8 years of bucking defeats and postponements, the Rochester Federal building has nearly become a reality. I hope that this committee will join with the House of Representatives in taking affirmative action.

An excellent site has been offered free of charge to the Federal Government in the new Rochester Civic Center. It is an offer that should not be neglected because it will save the Federal Government an acquisition cost in the neighborhood of $700,000. Moreover, there is an undeniable Federal need for an office building in Rochester. Even GSA has admitted that the present building is grossly inadequate. Rental of office space in Rochester now costs the Federal Government between one-quarter and one-third of a million dollars annually. A new building would in the long run be an economy and would undoubtedly contribute greatly to the efficiency of Federal operations in Rochester. The site which has been offered to the Federal Government free of charge is located on the east bank of the Genessee River and the master plan of the building envisages a scenic promenade along the river bank. This is an excellent opportunity. It may not be extended indefinitely and I believe the committee should put the seal of its approval on this project, which will in fact, save the Federal Government money.

The original concept which led to the creation of the Rochester Civic Center is an embodiment of a governmental concept which is both relatively new and absolutely essential to the continued constructive functioning of our local governments. In Rochester, like many other large cities today, city problems and projects can no longer be considered as problems and projects divorced from those of the entire metropolitan area. All over the country we are witnessing a new type of cooperation between city and county, county and State, and State and Federal Governments. The civic center is the embodiment of this concept for it includes a city-county office building, a proposed State building, and the Federal building now under consideration.

Under the appropriations bill passed by the House for public buildings, the Rochester project would be allotted $673,000 from the total of $16,500,000 for preliminary planning and construction. I sincerely hope that this subcommittee and the full committee will approve the House figure for this building and that we may at long last see construction beginning on the Rochester Federal building in the site now offered, free of charge, by the city of Rochester.

In brief, Mr. Chairman, the House has put in $673,000 for the preliminary planning and the start of construction on a Federal building in Rochester, N.Y. This has been a matter of interest to me since 1954 when I was in the House.

Rochester has built a beautiful civic center with State, county, and city buildings together, and has offered to donate the land for a Federal building. The value of the land has been estimated at $700,000. This appropriation is for the preliminary work to start this construction.

The Federal Government is now paying about $250,000 to $300,000 a year for rent for various Federal offices there. I, therefore, hope that the Senate will see fit to go along with the House and include this item in the bill.

Senator MAGNUSON. This is in buildings and planning and sites.

Senator KEATING. That is right.

Senator ALLOTT. This is not in construction?

Senator MAGNUSON. Not in construction. It belongs in the planning and sites, and the priorities there I think are very good for this particular project because they are ready to go ahead.

Senator KEATING. Yes.

Senator MAGNUSON. And this will make this real complex up there, and I think the GSA would like to go ahead.

Senator KEATING. I think they would like to. Thank you very much.

Senator ALLOTT. Thank you very much, Senator.

Senator MAGNUSON. Off the record.

(Discussion off the record.)

Senator ALLOTT. The committee will be in recess and the next witness will be Congressman Cramer as soon as we have answered live quorum.

(At this point a recess was taken.)

Senator ALLOTT. The first witness will be Congressman Cramer of Florida.

VETERANS' ADMINISTRATION

STATEMENT OF HON. WILLIAM C. CRAMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

BAY PINES HOSPITAL

Mr. CRAMER. I appreciate very much this opportunity, Mr. Chairman, to discuss Bay Pines Veterans' Hospital, a matter of considerable concern as I am sure you realize.

I don't make it a practice to appear before this subcommittee unless I have a matter of urgency.

Senator ALLOTT. I might say we are very glad to have you.

Mr. CRAMER. Thank you very much, Mr. Chairman.

I have a prepared statement which I would like to have made a part of the record and to comment on.

Senator ALLOTT. Your statement will be included in full in the record.

(The statement referred to follows:)

Mr. Chairman, I have asked for permission to speak before you today to discuss an issue of grave concern to the people of Florida, particularly those in my district.

There is in my district of Florida a long-established Veterans' Administration hospital called Bay Pines. It is the largest Veterans' Administration hospital in the State of Florida and has, for many years, represented an available source of medical care for thousands and thousands of veterans living in central Florida.

The Veterans' Administration has long recognized Bay Pines as one of the finest locations in the country for patient rehabilitation and domiciliary usage because of its waterfront climatically ideal site on beautiful Boca Ciega Bay. Offering more than adequate space for expansion, Bay Pines is served by two major railroads, major airlines, and excellent new highways. It can even be reached by boat. Doctors and nurses assigned to Bay Pines enjoy incomparable living conditions in the immediate vicinity, and a Federal employee recreational center is only a few blocks away on the Gulf of Mexico beach. Numerous rental units for visiting relatives are available nearby, and there are new schools and other advantages in the area. Numerous supporting facilities including nurses' quarters, domiciliary, laundry, auditorium, chapel, and cemetery are in existence.

For these reasons as well as many others, thousands of veterans have moved to this area of Florida upon their retirement and still others have moved to this area of Florida during their productive years partially so that they might have the benefit of this VA facility. These veterans have, in many instances, invested their lifelong savings in homes and businesses in this area with the firm expectation that they would be near this long-established facility should its services be needed by them. They have become active in business and civic organizations and are, today, making significant contributions to their adopted communities.

As a result of this most welcome influx of veterans, this area of Florida has been classified as a prime "need area" by the Veterans' Administration and today the Bay Pines area contains the largest percentage of veterans in the State of Florida, serving a veterans population of over 261,000 as of June 1962, compared to total Florida veteran population of 682,000. The development of Bay Pines has been unable to keep pace with the tremendous growth in veterans population and has produced a waiting list of over 300 veterans daily who are in need of medical attention but cannot obtain it because of unavailable space and facilities.

These facts were recognized and considered by the Veterans' Administration when, in 1958, it was decided to improve and enlarge all of the VA hospitals in Florida. The VA, at that time, admitted the fact that the percentage of veterans moving to Florida exceeded that of any other State and publicly announced a $41 million program to add a total of 814 new beds to the facilities at the three existing VA hospitals, including Bay Pines in Florida by 1965. Of the approximately $41 million involved, more than $18 million was for the Bay Pines program of modernization and construction. This included an additional 500-bed hospital at Bay Pines. This was part of the $900 million 12-year bed betterment program for which I fought largely because of Bay Pines problem which was started in 1958 under Eisenhower.

Also, in 1958, $1.7 million was appropriated for technical facilities at Bay Pines. The Veterans' Administration's planning was considered sound and supported by the entire Florida delegation—composed, incidentally, of the same 10 men who represent Florida in Congress today. The press, civic groups, and veterans' organizations backed the overall VA plan.

Why do I discuss this today? Because, as incredulous as it may sound, the Administration has decided to scrap the improvement and modernization of Bay Pines and, rather than allocate the additional beds on the basis of need, has decided to construct a completely new 50-bed hospital at Gainesville, Fla., which is less than 50 miles from an existing VA hospital at Lake City but over 150 miles from the Bay Pines facility and the large veterans population. This feat of legerdemain was recently revealed by VA Administrator John S. Gleason, Jr., in testimony before the House Appropriations Independent Offices Subcommittee.

And the Administration's decision to halt the expansion of Bay Pines has turned out to be only the first link in the long chain of injustices that have since unfolded. For, under questioning, Mr. Gleason further revealed that the future held the possibility that the entire Bay Pines facility would be abandoned on the basis of a phantom medical school in central Florida, which since has been proven not to exist.

This shocking revelation raised the ire of the entire community for, to be sure, no sound-thinking person would even suggest taking this type of inhumane action against our veterans.

Let us discuss the VA's so-called reasoning on this subject. According to Administrator Gleason, the halt in developing, expanding, and modernizing Bay Pines is based on the VA's desire to build VA hospitals adjacent to medical

schools in order to have an available source of doctors. It is similarly alleged by Mr. Gleason that the proximity of a medical school is a decisive factor in a doctor's decision to affiliate with a VA hospital. This is not germane at Bay Pines since this facility has always had a long waiting list of doctors requesting assignment there. This was just recently confirmed by Dr. Kelso Carroll, present medical director, and was in fact one of the basic reasons the 1958 decision to expedite the Bay Pines program was made—together with the fact that it is in the heart of the veteran population area.

The Veterans' Administration justifies its plans for Gainesville to the exclusion of Bay Pines by indicating that the hospital should be located there because of the new medical school in Gainesville. But, this same question was considered back in 1958 and considered to be of lesser importance than the real and immediate need of the veterans located on the west coast of Florida. At that time, it was decided to give the Bay Pines program top priority because:

First, the Bay Pines area contains the largest percentage of veterans, as well as a population of 1.8 million.

Second, the Bay Pines waiting list of over 300, coupled with the 115 new beds then allocated at Lake City, which, again, is only 50 miles from Gainesville, clearly demonstrates that the grave need exists at Bay Pines.

Third, that Bay Pines serves a veterans population of over 261,000 compared with a veterans population of 129,000 served by the Lake City-Gainesville area.

Yet, the Administration apparently remains adamant in its decision to abandon Bay Pines and relocate adjacent to a phantom medical school and, as a result, the Administrator wants to hold up Bay Pines expansion while a medical school that doesn't exist and isn't even programed is built somewhere in the vicinity. Of course, there are no medical schools in the central west coast area of Florida and none are planned for the distant future. As every member of this committee knows, it takes years and years to build a medical school and yet, this Administration is apparently willing to wait indefinitely. As a recent editorial in the St. Petersburg Times remarked, "these observations would be funny if the subject weren't so important."

But allow me to dwell deeper into the fantasy of the Administration's thinking on this subject. There is a new State university in Tampa—the University of South Florida. Tampa, some 20 miles from Bay Pines, is also in my district. It is this university that the Administration has erroneously tagged for a medical school. The fact of the matter is that when and if in the distant future the University of South Florida proposes a medical school, it will only be a 2-year college with no possibility of in-hospital training. When President Allen of the University of South Florida was asked recently about the possibility of a medical school, his answer was, "It is too premature to even do any planning this soon, too many years away." And, according to Florida's board of control chairman, Baya Harrison, "That's a little too far in the future for my crystal ball."

Meanwhile, thousands of signatures have been signed to petitions by both veterans and other interested citizens urging the retention and expansion of Bay Pines. Although sent to the White House, these petitions elicited no action other than a card of acknowledgment. Especially mindful of the need to keep Bay Pines, and active in the circulation of petitions, are such veteran representative groups as the American Legion, the VFW and the DAV, and statewide resolutions have been passed. Their pleas go unheeded.

Others have come out in favor of retaining and expanding Bay Pines. The senior Senator from Florida and a member of this committee, Spessard Holland, in a newspaper interview said:

"I feel the Bay Pines expansion program should not be held up pending the possible medical school at USF, and that the Gainesville hospital should be built, but not at the expense of holding back or suspending Bay Pines additions. I have informed the VA of my position."

A few weeks ago, however, a bright spot appeared on Bay Pines' dark horizon. The full House Appropriations Committee, in their report to the House, recommended that the $1,722,000 previously appropriated for technical services at Bay Pines remain earmarked looking toward new construction at that site. The report goes on to say that Florida's veteran population is growing rapidly and "the probabilities are more hospital facilities will be needed shortly in that area."

Questioning by me on the House floor during debate revealed that by "that area," the committee was referring to Bay Pines' present location.

Significantly, Bay Pines is the only VA hospital mentioned by name along with Gainesville in the committee's report and I think this in itself reflects the concern of this highly respected committee over the administration's intention to abolish Bay Pines.

Subsequent to passage of this bill by the House, and its recommendation to go forward with the Bay Pines program "if and when the Administrator deems it in the public interest to begin such construction," it appeared that the question of Bay Pines was resolved. For, the day following the House action, a newspaper article quoting the Hon. Harold Ostertag, ranking Republican on the House subcommittee who quoted the VA as willing to comply fully with the House Appropriations Committee's recommendation.

The truth of the matter is, however, that the VA, although apparently willing to comply with the House recommendation that the $1.7 million in question be earmarked for Bay Pines, will not indicate whether or when the agency will do anything to utilize the Bay Pines expansion funds. In fact, it is becoming abundantly clear that rather than utilize this money at Bay Pines where these improvements are desperately needed, the administration is willing to let it lie dormant.

On August 2d, I wrote the following letter to Mr. Gleason:

LETTER TO VA ADMINISTRATOR

AUGUST 2, 1962.

Hon. JOHN S. GLEASON, Jr.,
Administrator, Veterans' Administration,
Washington, D.C.

DEAR MR. GLEASON: I was gratified to read a report from Washington, in the St. Petersburg Independent, Tuesday, July 31, following House action on the Veterans' Administration appropriations bill which reports that the Veterans' Administration "will comply with a congressional recommendation to retain and expand Bay Pines. Naturally, this announcement was greeted most favorably by the veterans and citizens on the entire west coast of Florida.

Of course, you know of my continuing interest in this matter which I have expressed to you many times and which I expressed on the floor of the House Monday, the House having passed the Veterans' Administration appropriations bill on Wednesday, and in the committee report specifically recommending the retention of the $1,722,000 "previously appropriated for technical services for Bay Pines, Fla.," as earmarked funds looking forward to new construction and also making a specific finding that "Florida's veteran population is growing rapidly and the probabilities are more hospital facilities will be needed shortly in that (Bay Pines) area."

I think the legislative history thus is clear, that it is the intent of the Congress that Bay Pines be retained and that plans for the 500-new-bed hospital get underway in order to meet the needs of this rapidly growing veteran population in the west coast of Florida area, at the Bay Pines location. This, together with the quoted statement of a "Veterans' Administration spokesman", I trust, means early action on Bay Pines.

I am, in the light of these circumstances, renewing my numerous previous requests that departmental planning be completed and that the next step of hiring architectural and engineering consultants, for which the $1,722,000 remains available, be taken in the near future, suggesting that it is my hope that this will be accomplished before the end of 1962. The letting of this contract, of course, was initially planned in 1958, to be consummated by July of 1961, and was so programed as part of the nationwide, 12-year, bed-betterment program at the rate of $75 million annually, which was approved by Executive order of President Eisenhower in 1958. As I am sure you know, I was one who led the effort to get the President to approve such a nationwide program, having in mind the serious veteran-impacted condition in Florida and, in particular, on the west coast in the area served by Bay Pines. The sooner this action can be taken, in that it appears it has the blessing of the Congress, the sooner the critical bed shortage situation in the veterans hospitals in Florida will be eased and many hardships now encountered by hundreds of veterans in Florida presently denied admission because of lack of adequate facilities will be alleviated.

I am sure you are familiar with the fact which was placed in the Record by both Congressman Matthews, and myself, that even after all presently planned additional beds are constructed, including Lake City, Coral Gables, and Gainesville, unless Bay Pines is added to the program, the ratio of beds to veterans in

Florida will remain substantially out of balance as compared to the national average. The national average is 181 veterans per bed, and by 1965, in Florida, it is contemplated that even with these additional facilities, it will be 286 to 1, which I believe fully justifies going ahead with Bay Pines expansion program immediately.

I realize that the final executive decision as to this action rests in your hands, and I am writing this letter with the hope that you will concur in my views and that this program will be gotten underway this year.

I would also like to take this opportunity to offer my services to you should further information or assistance be needed.

With best wishes, I am,

Sincerely,

WILLIAM C. CRAMER,
Member of Congress.

On August 10, the following ambiguous reply was received from Deputy Administrator W. J. Driver:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., August 10, 1962.

Hon. WILLIAM C. CRAMER,
House of Representatives, Washington, D.C.

DEAR MR. CRAMER: This is in reply to your letter of August 2 requesting early action to get the Bay Pines Hospital replacement project underway.

We will comply fully with the House Appropriations Committee's recommendations "that $1,722,000 previously appropriated for technical services for Bay Pines remain earmarked looking toward new construction at that site if and when the Administrator deems it in the public interest to begin such construction."

Our long-range plans provide for the eventual replacement of the Bay Pines Hospital with a new facility.

Continuing studies will be made to determine the bed needs of all areas of the Nation. You may be assured that the Florida area will be included in these studies.

Sincerely,

W. J. DRIVER,
Deputy Administrator.

I am in hopes that this committee, after weighing the facts, will—in its report to the Senate—allow no room for equivocation by the Administrator on this important matter. I am hopeful that this committee will instruct the Administrator to follow through with the intent of Congress and go forward with Bay Pines.

Only by retaining Bay Pines and expanding the taxpayers' already great investment of nearly $30 million in this facility, will the intent of Congress be fulfilled and the thousands of veterans and their families involved and affected be properly cared for.

I would also hope that this committee will recommend that Gainesville go forward as well, but not at the expense of Bay Pines, for by 1965, both will be needed. Even then, with Gainesville, Lake City, Bay Pines, and Coral Gables completed, the Florida veteran population will be twice the national average or 289 veterans per bed as compared to the national average of 141 per bed.

BAY PINES HOSPITAL, FLORIDA

Senator ALLOTT. I might say that during the week the matter of the Bay Pines Hospital in which the Congress expressed an interest was raised by the acting chairman and was also discussed at some length by the senior Senator from Florida.

Mr. CRAMER. This annual report issued by the VA at Bay Pines covering 1962 operations is for your information, Mr. Chairman. If you wish to just follow a few of the facts I wanted to call to your attention.

HOUSE LANGUAGE

I am sure that you are familiar with the language contained in the House Appropriations Subcommittee report in which the committee stated:

> The committee recommends that $1,722,000 previously appropriated for technical services for Bay Pines remain earmarked looking toward new construction at that site if and when the Administrator deems it in the public interest to begin such construction. The Florida veteran population—

this is a finding of fact which is significant—

> the Florida veteran population is growing rapidly and the probabilities are more hospital facilities will be needed shortly in that area.

So now we are at the crux of the problem. I am sure you as a member of this subcommittee are fully familiar with the 12-year $900-million bed betterment program which was initiated under President Eisenhower in 1958 on recommendation of Sumner Whitter, Veterans' Administrator under Eisenhower.

FLORIDA VETERAN-IMPACTED STATE

I personally feel confident that one of the principal problems that the administration had in mind at that time, and I hope so, because I certainly did my best to call it to their attention, was this problem in the State of Florida, it being a veteran-impacted State with some three times as many veterans per bed as other States in the Union.

I feel that it was partially because of the problem at Bay Pines, with the large veteran load and the large patient waiting list, that the decision was made in 1958 to go ahead with this $900 million 12-year program.

The chairman, Senator Holland, indicated, of course, your interest in this matter prior to my statement and I appreciate the interest of the distinguished Senator, that he has shown in the matter, and I think we are in accord generally in our positions.

TWELVE-YEAR BED BETTERMENT PROGRAM

I was just discussing the $900 million 12-year veterans' bed betterment program which was announced in 1958 and historically a little bit about the part that Bay Pines and I felt Florida played in that decision and the obvious concern which we now have with the possibility that Bay Pines might be sidetracked.

The interest, of course, is great with the local veterans. I have submitted to the chairman facts that I am sure the distinguished Senator from Florida is fully familiar with, such as the outpatient visits as indicated in the annual report of 1952 showing some 8,715 in the immediate Bay Pines area and certainly you couldn't expect those people to go a long distance to Gainesville, about 130 miles, to get this service.

BASIC PROBLEM NONEXISTENT MEDICAL SCHOOL

Now, my main purpose in being here is to try to perhaps dispel not only in the minds of this subcommittee and hopefully perhaps this subcommittee by language in its report could help dispel what I think is the basic problem that now exists, and that is this phantom medical

school, at least that is my terminology, which is being considered by the Veterans' Administration which to the best information I have been able to acquire just doesn't exist except in someone's imagination any time in the near distant future or at least within a period that should affect planning at Bay Pines.

HISTORY OF PROJECT

Now, this $1,722,000 was put in in 1958 for technical services. Bay Pines was scheduled along with a number of other hospitals for the letting of the A. & E. contract in July of 1961 on a long-range planning for beds where needed in the $900 million program.

The A. & E. contract was to be let in July of 1961.

Well, comes July of 1961 and the Administration announced a delay until December of 1961, and in the interim in October announced that instead they were going to ditch the Bay Pines program and build a hospital at Gainesville.

I want to make it clear that I have no quarrel with the hospital being built at Gainesville provided it is not to the exclusion of additional Bay Pines beds. It is my position that both hospitals are needed and as you will note in my statement in the Congressional Record and debate on the matter on the floor of the House, it appears on page 13998, I made that statement and pointed out that even when Gainesville is completed in 1965, Florida will have a bed ratio of 289 per veteran as compared to 141 throughout the balance of the country.

NEED FOR HOSPITAL

So there is no question but that even when Gainesville is completed, Bay Pines will also be badly needed.

Senator HOLLAND. You mean 289 veterans per bed?

Mr. CRAMER. Right. It is my position that the Veterans' Administration should go ahead with its architect and engineering at Bay Pines at this time, and I recommended to them in writing by letter that that be done some time this year based on the need in the area that exists.

Now, this committee could render, I think, a great service and I think a factually correct service if in its report it supplemented what the House contained in its report by taking the position on the facts that so far as it is able to determine and, of course, the distinguished senior Senator from Florida is the best authority on it, the fact that a prospective medical school sometime in the undetermined future is not sufficient grounds for delaying the programing at Bay Pines.

LETTERS FROM VETERANS' ADMINISTRATION

Now, I received, Senator, and I don't know whether you have been advised—I just received it today—a letter in reply to my request to the Veterans' Administration which evidences continued fuzzy thinking by the Veterans' Administration as far as Bay Pines is concerned—even after the House action.

It does say that they—the Veterans' Administration—will comply fully with the House committee's recommendation, and then they quote it in the second paragraph. And then the next sentence which is,

I would say, difficult to understand in view of the above referred to second paragraph, says:

Our long-range plans provide for the eventual replacement of the Bay Pines Hospital with a new facility.

Now, this letter was signed by W. J. Driver, Deputy Administrator. My letter was directed to the Administrator, of course. And I know the Senator is familiar with the number of statements made on this matter.

I construe the letter possibly to mean that—you can keep that copy of the letter from Driver if you wish—

Senator HOLLAND. Glad to have it for my file.

REPLACEMENT HOSPITAL AT SITE

Mr. CRAMER (continuing). To mean that a replacement hospital, if the language of the House committee report is to be acknowledged, would be at that site—"site" meaning Bay Pines—but it is subject to a number of other interpretations, including the consideration, still, of the phantom medical school and a location elsewhere.

As I see it, if this situation in regard to the medical school is not clarified in your report by some language that takes it out of the picture of consideration which, I think factually it should be, this matter is going to be delayed indefinitely without any action which is needed on the basis of veterans' needs in the area.

That is the principal service I think this committee could render at this time plus confirming the House position.

Now, I am sure you are familiar also with the remarks made in the record in that I asked the chairman of the subcommittee on the House side as to what the meaning of this language was, hoping to clarify the legislative record, and avoid the very inconsistency and lack of certainty that exists from the letter of the Veterans' Administration. And I specifically said that I was delighted to know of the committee action, that I understand that the report on page 17 indicates the growing need for veterans facilities in the area, and I further said this (reading from Congressional Record).

The Chairman said:

That is the product—

meaning this report—

of the thinking on both sides of the aisle. It was unanimous.

So far as I am concerned, there is nothing political in it. The distinguished Senator has taken the same position. And I went on to ask this question:

OPINION OF CHAIRMAN

Mr. Chairman, I want to commend the committee—

this is the point—

This report rebuts and does away I hope with some of the hobgoblins that are going around with regard to Bay Pines, for instance, to the abandonment of Bay Pines, as suggested by Mr. Gleason, Veterans' Administration Administrator, in the hearings on page 276, on the basis of some phantom medical school that is believed to exist sometime in the indefinite future in some undefined central part of the State of Florida and indicates future veteran growth

in Florida, justifies retaining this earmarked appropriation for further expansion of Bay Pines. And is that not the intention of the subcommittee language?

Mr. THOMAS. That is correct.

Hoping that the legislative record would be sufficiently clear.

Now, I am deeply concerned that the Veterans' Administration continues apparently by public statements and otherwise to use as a basis for not going forward with Bay Pines the supposed existence of a plantom medical school somewhere in the central part of Florida.

And I want to say at this point that I for one appreciate the very active support for Bay Pines by the distinguished senior Senator from Florida that he has taken and given and particularly in this instance.

NO CONFLICT BETWEEN BAY PINES AND GAINESVILLE

There is no problem of conflict between Bay Pines and Gainesville as I see it, so long as one isn't sacrificed for the other. I think the committee report on the House side indicates there is no conflict problem. They mentioned both Bay Pines and Gainesville in their report and I would be hopeful that this committee would take not only similar action as the House but add to that further clarification—further clarifying language with regard to programing and medical school nonexistence.

Senator ALLOTT. Did you wish this letter put in the record?

Mr. CRAMER. Mr. Driver's letter in reply, together with my letter to the administration, has been included at the close of my opening remarks.

Senator Holland?

STATEMENT BY SENATOR HOLLAND

Senator HOLLAND. Mr. Chairman, I would like to make a brief statement. I came to the Senate in 1946. Shortly thereafter then President Truman issued an order canceling plans and appropriations for the construction of a number of veterans hospitals including one at Gainesville, and the matter was a matter of deep concern to our delegation because that hospital at that time as planned and as provided for would have been an NP hospital, and we had no appreciable NP facilities in Florida.

We have as yet very inadequate NP facilities.

The chairman will remember that in his testimony before this subcommittee some days ago, Administrator Gleason stated that in the neighborhood of 900 or better NP patients from Florida, veterans patients, are now stationed in hospitals outside of the State, some of them very long distances, which isn't a good thing from any standpoint.

Beginning with that date, and this may have been the case before I came to the Senate, beginning with that date the two Senators and all Members of the House have taken a completely united position with reference to the necessity of getting more beds for the veterans in Florida at the Veterans' Administration hospitals. All of the veterans organizations in our State have taken the same position and we have had numerous hearings.

I think partly as a result of that approach, we have now scheduled for construction a large replacement hospital at Miami, replacing the Coral Gables institution and located near the hospital center and the medical college facilities of the University of Miami.

We have just completed a second minor bed replacement program at Lake City which is a hospital serving the northern part of our State and the southern part of Georgia.

We have recently completed conversion of a sizable number of beds at the Bay Pines Hospital so as to be more available to take care of the needs there.

GREATEST NEED AT BAY PINES

Incidentally, the needs at Bay Pines have been greater than at any other hospital as shown by the waiting list of applicants. And as shown by the numbers served there.

When Administrator Gleason last summer notified our delegation of plans to proceed at once at Gainesville to replace though not exactly on the same site planned originally the planned hospital at Gainesville, which had been canceled by President Truman's order some years earlier, we all felt—I personally felt that by no means should we do anything to disturb the possibility of early construction of that additional hospital which was to be adjoining the new medical school at the University of Florida which did not exist, by the way, at the time of the cancellation, and the medical center which is based around the J. Ellis Miller Hospital there.

At that time, however, I made it quite clear, and I think that I spoke for the whole delegation in saying that by no means do we regard that as any permanent displacement or permanent detraction from the program at Bay Pines which has been many years a highly satisfactory institution.

Probably the most popular in the veterans hospital setup from the standpoint of choice by doctors to be there, and certainly a very popular one from the standpoint of applications by veterans to be received there.

SIZE OF WAITING LIST

The facts given by Administrator Gleason the other day as to the size of the waiting list will have to speak for themselves. I don't recall the figures.

My recollection was it was something like 300 or more now.

The location is superb.

Mr. CRAMER. Here is a picture.

Senator HOLLAND. It is on the pine—I wouldn't call it a hill, because Senators from other States might not want to so dignify it, but pine slope, facing Boca Ciega Bay which is the inland branch of salt water between the mainland and the offshore island along St. Petersburg, and I believe I called the attention of the committee to the fact that the veterans there were permitted a view at a location which many fine citizens of the Nation pay thousands of dollars each year to avail themselves of for vacation purposes.

SUPPORT OF REPRESENTATIVE CRAMER'S POSITION

I simply want to say that I support completely the position of Congressman Cramer to the effect that I do not think that there should be any displacement of any sort of the Bay Pines program, that I hope that just as soon as there may be a reasonable approach to it, I want us as a delegation to insist upon its use of the substantial sum,

better than a million and a half dollars, as I recall, appropriated to the planning and engineering work, and so forth, for the construction of the new facility there.

Senator ALLOTT. Will the Senator yield there?

Senator HOLLAND. May I say just one thing more? My understanding is that the reasons recited at the House hearing—I read the House hearing rather carefully—by the Veterans' Administration for not deciding to go ahead and without delay at Bay Pines were two: First, the possibility of locating the Gainesville institution at the medical school which was not possible some years ago; and, second, the fact that the new facility at Bay Pines was designed to be a replacement of some or all of the buildings there now, which would involve considerable displacement of veterans now in beds there.

I thought that made sense. I am perfectly willing to expect the Veterans' Administration to make administrative decisions, but I am completely unwilling to yield to them the authority to make any displacement of Bay Pines or any other of the hospitals in our State because we are very greatly undersupplied with veterans' beds.

GROWTH OF VETERANS' POPULATION

Just as we have grown in population from 1940 from about 2 million to 5,400,000, so the veterans' population has multiplied probably in about the same figure as general population. And I believe the Veterans' Administration stated in the House hearings that the difficulty of not having an adequate supply of beds is worst felt in Florida as among all of the States.

So I am glad the Congressman is making his appearance and this presentation which I shall strongly support. I had already notified the distinguished chairman of the subcommittee that I was expecting and hoping that he could have, in the subcommittee report and in the full committe report, wording which was very strong on this subject, but we have had not opportunity to get together to see what that wording should be.

My motive is I am sure that the Bay Pines facilities be not deprived of any hope of advancement or any plan of advancement as shown by the acts of Congress requests of all the veterans' organizations, and a very great need there for additional beds. So I shall appreciate any suggestion that my colleague may have as to what he thinks this committee might properly do.

It was my idea that we would certainly sustain the wording of the House committee, probably amplify it. This, of course, involves much more than my suggestion to amplify it by expressing the views that the program should be continued, moved ahead, at Bay Pines, with good money available, just as quickly as can be done.

MOVEMENT TO BAY PINES

We realize they can't move in all places at once. They are moving now at Miami, Gainesville. They have just concluded moving at Lake City and the Shore Drive Road, a small movement I think involving 160 beds.

Mr. CRAMER. 164.

Senator HOLLAND. 165 beds at Bay Pines which were not new beds. as I remember it, but reconstruction and rearranging enabled them to be used for more necessitous purposes than the old beds and old space, and it would have permitted this.

The Congressman, I am sure, is more familiar with the details of that than I am.

Mr. CRAMER. But this was done by closing down the domiciliary facilities as a temporary measure—pending the new hospital in the present hospital activities were already overtaxed even without the 164 additional beds. May I make one comment?

Senator HOLLAND. You certainly may.

I feel that we should encourage and insist upon moving ahead with the Bay Pines project at the earliest feasible date.

At the same time, I do not expect to be constructing three hospitals at the same time, but I do think that this hospital, with this long-standing recognition by Congress and the Administration, cannot be neglected in any way but should be scheduled for early enlargement so as to better meet the needs in that very large area now.

Mr. CRAMER. The question of Gainesville conflict is out of the picture but, of course, it has been my basic conviction that the hospital should be built where the veterans are.

Bay Pines, of course, serves a larger veteran population than probably any other VA hospital in the United States.

It is probably one of the most beautiful sites in the country, and it is one of the largest sites, and it is one of those that can best be improved and best meet the needs of the veterans.

I believe that sincerely. The entire delegation felt that way some few years ago. I think they still do.

Now, this is a point I would like to leave with you in line with what the Senator suggested, concerning the language in the Senate report.

DEVELOPMENTS SINCE HOUSE HEARINGS

The reason I decided to testify today principally was that since the House hearings there have been certain developments.

Since the House action there have been certain developments in the Veterans' Administration including this Driver letter which is a vacillating one at best, but also a statement by Mr. Monk which was made to the press, and I am sure this distinguished Senator is familiar with the statements contained therein which unequivocally say that it will still be the intention of the Veterans' Administration to abandon Bay Pines upon further study as to whether a medical school was being planned in central Florida.

Now, if that is the case, we are practically right back where we started so far as the attitude of the Administration is concerned.

That is why I am concerned and that is why I feel that additional clarifying and, perhaps, stronger language in the Senate report is justified because, apparently, it has not sunk in at the VA yet; so far as the meaning of the House action is concerned.

And that is why I felt it was essential that I appear, to bring this matter to your attention.

Senator MAGNUSON. I think we have been thoroughly briefed on Bay Pines.

Senator HOLLAND. May I go off the record a moment?
Senator ALLOTT. Yes. This is off the record.
(Discussion off the record.)

SUGGESTED LANGUAGE

Senator MAGNUSON. Why do you and Senator Holland not write it or you give Senator Holland some language that you think might work, and we will take a look at it——

Mr. CRAMER. Thank you. I will and I appreciate that very much.

Senator MAGNUSON. Because he is right with this.

Senator HOLLAND. On the matter of the medical school, and may I say this, Mr. Chairman, when the word was given to us last year about those plans for Gainesville, to which we all acceded—as a matter of fact, Congressman Cramer has been as active in pressing this whole program as I have.

I was told that there was a prospect of the establishment of a medical school at the nearby university in this area from that meeting, and, in the presence of those who were there, I called the president of that school and he told me that no action to date, either by the legislature or the board of governors, looking to the early establishment of the medical school, had been taken but that he hoped that in some years from now they would be able to accomplish that.

The other day, when General Gleason was here I again called it to his attention. At that time the president was away, and I talked to one of the deans who was acting in the absence of the president, and he told me that his understanding was that it was in the remote planning stage.

But again he stated that neither the legislature nor any legislative committee had given any approval to it and it still was in the remote planning stage, and that is all I have been able to discover on that proposal. I think it was not at all justified.

The delay at Bay Pines, nor any postponement of a planned program for Bay Pines, beyond the time that I have suggested, would be justified. When we get this program underway then I think we should unitedly insist upon the use of these available funds appropriated by Congress for this purpose and move ahead to that end.

LONG DELAY UNJUSTIFIED

Mr. CRAMER. As I understand, Senator, then the discussions were only of a 2-year medical school, which will mean no technical services which would be helpful to this facility, are——

Senator HOLLAND. I did not know that that was involved, so my question was more general. I have no information to that effect except what you told me over the telephone today, but I do not question it at all.

But I think, Mr. Chairman, that any long and completely indefinite delay, in view of the support of the medical school in Florida, would be completely unjustified. We have just recently acquired two, one at State and on at the University of Miami, and we all know the expense involved when you are building a university.

I think it would be completely unreasonable to postpone the legislation planning for Bay Pines' enlargement to some indefinite date, based on that remote planning possibility.

Senator ALLOTT. I am sure that the Congressman and the Senator from Florida are able to suggest that in the language.

Senator HOLLAND. Well, the committee may understand how I feel.

I was the service officer for the veterans of my area. And I was county judge over there for 7 years. During that time I went many times to Bay Pines in connection with cases that I was in, and I became very much attached to it.

Then later on public issues helped promote the affairs of the State service officers' setup which the State has, and if anybody has been more attached than I am, though I may be a little more remote geographically from it than Congressman Cramer, I do not know who it is. And I agree completely with him that this legislation should be passed.

Senator ALLOTT. Thank you very much.

Senator HOLLAND. If you have any wording that you want to suggest, we will be glad to have it.

Mr. CRAMER. I will certainly be glad to suggest some. I don't want the veterans from my area or any other area in Florida to be penalized, whatever the planning may be, and that is the only way I can construe this action by the VA.

Senator ALLOTT. All right, thank you.

Before starting on the next witness, I would like to do two things: First of all, we will probably be interrupted all afternoon with a series of rollcalls, and we have no choice but to make those. We will recess for a few minutes in each case and come back here immediately.

I would like to check with the witnesses who are on the list.

Senator MAGNUSON. I am wondering if we could not hear George first?

Senator ALLOTT. Well——

Senator MAGNUSON. And then they will probably be a little longer.

Senator ALLOTT. I just wanted to check who was here.

Mr. Riley is here, the VA medical research people are here, and Mr. Mock is here.

Is Mr. Mock here?

Mr. MOCK. He is here.

Senator ALLOTT. Reverend Snyder is here.

Mr. Kornet and Mr. Herb?

Mr. KORNET. Yes, sir.

Mr. HERB. We are here.

Senator ALLOTT. Is Mr. Cummings here?

Mr. CUMMINGS. I am here.

Senator ALLOTT. Is Dr. Wheaton and Joseph McGrath here?

Joseph McGrath?

All right, the next witness will be Mr. George Riley, of the AFL–CIO, on civil defense.

Mr. Riley, we have, in all, as I have figured it, some 13 or 14 witnesses, and I will have to go upstairs and answer the quorum call for just a moment, and to all of you who are here I would suggest that in order that we are able to apportion this time—and I want to give you

all the time that we can—but those of you who can submit your statements for the record and then comment on it, will facilitate our time feature somewhat. I know the chairman would appreciate it if you are able to do that.

We will be recessed for a few moments.

(Short recess.)

Senator ALLOTT. The committee will come to order.

Before we hear Mr. Riley, I will place in the record statements submitted to the subcomimttee by Senator Carroll on the subject of local service airlines; by Senator Kefauver requesting appropriations to conduct an investigation of the telephone industry; and by Senator Moss on General Services Administration appropriations items:

(The statements referred to follow:)

STATEMENT BY SENATOR JOHN A. CARROLL

LOCAL SERVICE AIRLINES VITAL TO COLORADO

Mr. Chairman, local service airlines are vital to the economic health of my State of Colorado. The cities of Alamosa, Colorado Springs, Cortez, Delta, Denver, Durango, Grand Junction, Gunnison, Lamar, Montrose, Pueblo, and Sterling are in many ways dependent upon the services furnished by these airlines.

I urge your subcommittee to restore the full local service subsidy funds as requested by the administration. If these funds are not restored, the Civil Aeronautics Board may be forced to reduce air service to these Colorado cities. It is of the highest importance that this air service not be curtailed.

The independent offices appropriation bill, as approved by the House, provides for $66.9 million of subsidy payments for local airlines. This figure is $11.8 million less than the amount requested by the Civil Aeronautics Board.

I do not believe that subsidy payments to our Nation's airlines should become a permanent or lasting program. It must be remembered that such funds are to assist the airlines serving our country's smaller communities to establish realistic efficient service and to create and develop adequate passenger demand.

I was pleased—and I am sure the subcommittee also was pleased—that the President in his transportation message to the Congress stated it was the administration's policy to reduce by stages, and ultimately to phase out, these payments.

It would be most unfortunate, however, if this phasing out should come prematurely—if the withholding of adequate funds should prevent the program from accomplishing the purpose for which it was conceived.

Local service airlines do not as yet pay their own way. I do not doubt, however, that they will in the future. For many years, the trunk airlines ran at a loss, dependent upon Government subsidy. This is not now the case. Just as the major trunk airlines have improved their fiscal picture so, too, will the local airlines.

In the Federal Aviation Act of 1958, the Civil Aeronautics Board, in formulating its policies, is directed to "consider the following, among other things, as being in the public interest, and in accordance with the public convenience and necessity: (*a*) The encouragement and development of an air-transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the postal service, and of the national defense."

This is the law and policy as set forth by the Congress. There can be no doubt that in Colorado local air service is indeed in the public interest, convenience, and necessity.

Mr. Chairman, my State is a State of small population and large distances. It is a State of high mountains and difficult terrain.

In recent years, intrastate passenger train service has been cut extensively. Thus, in many parts of my State the traveler must either drive his own car or rely upon the service furnished to him by Frontier or Central Airlines. Not infrequently in winter, heavy snows make high-altitude driving treacherous

and difficult, slow and arduous. The importance of air service in such conditions is, I believe, self-evident.

My State is one of the most rapidly growing States in the Union. In each of the last two censuses, the population increased by one-third. The cities served in Colorado are, without exception, vigorous and active cities charting their future growth and industrial expansion. They have made substantial investments in developing their airports and facilities. They have done so because continued air service is essential to their industrial expansion and future needs.

In the budget submitted to the Congress it is proposed that Frontier Airlines, serving the north central and western portion of my State, shall receive an estimated $7,588,000 in fiscal 1963. Central Airlines, serving the southeast section of my State, shall receive an estimated $4,827,000. To cut these funds by 13 percent, as the House proposes, would mean at least a 13-percent reduction in service over the areas served by Central and Frontier Airlines.

Under the Civil Aeronautics Board's policy of "use it or lose it" such a cut might well mean an even greater reduction of service for the sparsely populated Western States.

I have received wires and letters from across my State urging the restoration of these funds. Municipal governments, chambers of commerce, and citizens groups are united in their concern that local air service might be curtailed. It must be given time to develop and solidify its markets, to improve passenger demand by improving and perfecting its service arrangements. This was the intent of the subsidy program. I urge that it be given full opportunity to succeed.

I urge that the appropriation funds be restored.

STATEMENT OF SENATOR KEFAUVER

INVESTIGATION OF THE TELEPHONE INDUSTRY

Mr. Chairman, it is a pleasure for me to appear before this committee today in support of a request for an appropriation of $3 million to enable the Federal Communications Commission to conduct an investigation of the telephone industry.

The lengthy testimony before several Senate committees in connection with the satellite communications bill brought to light many problems connected with the communications industry which warrant prompt and thorough investigation. I am convinced that it is necessary in aid of legislation by the Congress and for the use of governmental agencies, particularly with reference to space satellite communications and other rapidly advancing areas of communication technology, that accurate and comprehensive information be procured and compiled regarding both the domestic and international operations of the American Telephone & Telegraph Co. and other communications common carriers. Such information would aid in providing more effective regulation and would serve many other purposes in the public interest.

I support this appropriation in order that the Federal Communications Commission may be authorized and directed to investigate and report to the Congress no later than January 1964 on many important matters with respect to A.T. & T. and the other communications common carriers. This investigation should include all of the major communications carriers as well as their subsidiary, affiliated, associated and holding companies, and any other companies in which any of them have direct or indirect financial interests, or which have any such interests in them. Any companies in which any of the officers or directors of the communications common carriers hold any office or exert any control, or whose officers or directors hold any office or exert any control in the carriers, should also be included in the investigation.

It has been nearly 25 years since an investigation of the telephone industry was made. At the time of the last investigation many shocking facts were brought to the attention of Congress. These facts were made available to the Congress only a short time before our country's involvement in World War II. Undoubtedly our concentrated attention on the Nation's war effort was one of the reasons no more was done as a result of the investigation of the 1930's.

Unfortunately, many of the unhealthy conditions in the communications industry which were made public in the earlier report have never been corrected In addition, during the time that has elapsed, many new problems have arisen.

It is my suggestion that the proposed investigation should concentrate on the years since 1939 and should give particular emphasis to the following matters:

1. The corporate and financial history and the capital structure, and the relationship of the company and its subsidiary, affiliated, associated, and holding companies, including the determination of whether or not this structure may enable them to evade regulation or taxation, or to conceal, pyramid, or absorb profits, or to do any other act contrary to the public interest.

2. The extent and character of intercompany service contracts, and all transactions between communications common carriers and their subsidiary, affiliated, associated, or holding companies, and particularly between the American Telephone & Telegraph Co. and the Western Electric Co. and other manufacturers of electrical communications equipment. Also the cost of and sale prices of equipment, material, or devices to operating companies or users; the profits upon such sales and the effect of such sales upon the rate base of operating companies when used as a basis for charges; and the probable savings to operating companies and the public by purchasing equipment under a system of competitive bidding.

3. The reasonableness of rates and charges and the extent to which subscribers or users of communications services have borne the cost of research and development, including but not limited to the maintenance and support of Bell Telephone Laboratories, Inc.

4. The effect of monopolistic control upon the reasonableness of rates and charges, upon competition in the communications industry, and upon the character of services rendered, and any unfair or discriminatory practices.

5. The effect of mergers, consolidations, and acquisitions of control in the communications industry, including the determination of whether there has been any writeup in the purchase of property, equipment, or intangibles. Also the fairness of the terms and conditions of any merger, consolidation, or acquisition and the public interest therein, and the effect upon rates of service.

6. The accounting methods of the communications common carriers, particularly with reference to depreciation and reserve accounting, apportionment of investment, revenues, and expenses between State and interstate operations, employee pension funds, executive compensation, and valuation of properties for both rate and tax purposes.

7. The methods of competition by communications common carriers amongst themselves and with other companies, including a determination of whether or not there has been any refusal to buy from or sell to competing companies, or suppression of patents, and the expansion of communications common carrier companies into various fields.

8. Whether or not the communications common carriers have sought through propaganda or the expenditure of money, or the control of channels of publication, to influence or control public opinion, legislative or administrative action, or elections.

9. All other matters in any way bearing on the reasonableness of rates and charges, quality of service, the extent of concentration, and competition in the communications industry.

Mr. Chairman, the results of such an investigation would be of great value to the Congress and to the public. Last month I wrote a letter to Mr. Newton Minow, Chairman of the Federal Communications Commission. I asked Mr. Minow if, in his opinion, his agency had the legal authority to conduct such an investigation and whether he believed that such an investigation would be helpful to the FCC in the conduct of its regulatory activities.

Mr. Minow replied that the Communications Act of 1934, as amended, is sufficiently broad and comprehensive to encompass an investigation of the matters and scope which I have suggested. He went further and stated that if Congress chose to provide the funds for such a broad investigation, the Commission felt that it would be beneficial since it would afford an opportunity for an examination in greater depth of the conditions in the telephone industry.

Mr. Chairman, I have a copy of Mr. Minow's reply with me and I would like to place copies of our correspondence in the record.

87888—62——66

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C.

HON. ESTES KEFAUVER,
Chairman, Subcommittee on Antitrust and Monopoly, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR KEFAUVER: This is in reply to your letter of July 17, 1962, in which you state your intention to request the Senate Appropriations Committee to add $3 million to the Commission's appropriation for an investigation of the telephone industry which would cover such matters as the operations and structure of the industry; the nature and extent of competition therein; the relationship of these matters to the reasonableness of rates; and other matters pertinent to effective regulation by the Commission. You ask for confirmation that the Commission has authority to conduct such an investigation and that the sum of $3 million which you propose therefor is adequate.

In regard to additional appropriations, the Commission believes it would be in a position to carry on its continuing regulatory responsibilities more effectively if substantially increased funds were provided in our regular annual budget on a continuing basis. The Commission, as you know, has repeatedly requested increased budget allotments to enable us to deal more comprehensively with the regulatory problems which, in increasing number and complexity, have been occasioned by the rapid dynamic growth of the communications common carrier industry. Our requests have not always met with success, with the result that our staff and other regulatory resources have not grown commensurately with the regulatory problems of the industry. As we have testified before your committee and other congressional committees, while we are of the opinion that we have generally protected the public interest in just and reasonable communication rates and services, we fully recognize that with additional manpower and budget resources, we could carry on a more detailed regulatory program.

In this connection, a request to amend our fiscal 1963 appropriation by the addition of 21 employees for common carrier regulation has been sent to the Congress by the President. This request, if granted, would enable us on a permanent and continuing basis to better discharge our responsibilities in this vital field. If Congress further chose to provide funds for a broad investigation, we feel that this would also be beneficial since it would afford an opportunity to examine in greater depth the conditions in the telephone industry.

With respect to the specific questions contained in your letter, the authority vested in the Commission by the provisions of the Communications Act of 1934, as amended, is sufficiently broad and comprehensive to encompass an investigation of the matters and scope referred to in your letter. (See, for example, secs. 4(i), 215, 218, and 403 of the act.)

Although in the time permitted it has not been possible to make a detailed determination as to the number of personnel and funds that would be required, the amount of appropriation you propose for such an investigation appears to be within reason. It is assumed, of course, that the expenditure of the funds would be specifically authorized to continue beyond the current fiscal year inasmuch as it would be impossible to plan, staff, and complete such an investigation by June 30, 1963.

The foregoing views were adopted by the Commission on July 25, 1962.

By direction of the Commission:

NEWTON N. MINOW, *Chairman.*

JULY 17, 1962.

HON. NEWTON N. MINOW,
Chairman, Federal Communications Commission,
Washington, D.C.

DEAR MR. MINOW: For a long time, there have been many doubts raised about the reasonableness of telephone rates and services. When you and several FCC Commissioners appeared before the Subcommittee on Antitrust and Monopoly with respect to space satellites, you admitted that the FCC had neither the funds nor the personnel to regulate adequately the telephone industry in this country. It was also brought out at that time and in other hearings that the last thorough investigation by the FCC of the telephone industry was in the late 1930's. The question of adequate funds and personnel for continuing regulation of this industry is very complex and something which I would like to discusss with you at length. However, the question of funds and personnel for a thorough investigation of the industry in the immediate future is less complex and something I would like to see accomplished this year.

It is my intention to request the Senate Appropriations Committee to add $3 million to the FCC appropriations for such an investigation. It should cover such matters as the operations and structure of the telephone industry, the nature and extent of competition therein, the relationship of the foregoing to the reasonableness of rates, and other matters pertinent to effective regulation by the FCC of the communications industry.

I am sending a copy of this letter to Senator Magnuson, who is not only chairman of the Commerce Committee but the Appropriations Subcommittee on Independent Agencies. In this connection, I would like confirmation from you that the FCC has authority to conduct such an investigation and that the sum proposed is adequate. As the independent agencies appropriations bill will be coming before the Senate committee in the near future, I would appreciate a prompt reply.

Sincerely yours,

ESTES KEFAUVER, *Chairman.*

In conclusion, let me say, Mr. Chairman, that I feel an investigation of this nature is a matter of vital concern to the American public. I urge most strongly that this appropriation be approved so that the FCC may be allowed to undertake forthwith this important investigation.

STATEMENT OF SENATOR FRANK E. MOSS, DEMOCRAT, OF UTAH

Senator Magnuson and members of the subcommittee, I wish to speak on two General Services items: Construction, public buildings, for which $170,481,000 has been requested; and repair and improvement of public buildings, for which the budget request is $65 million.

The construction funds request includes $4,853,000 for a courthouse and Federal building in Ogden, Utah. The need for more adequate Federal office floor space is most urgent in this fast-growing city in northern Utah, and the chairman will remember I was most anxious last session to have construction funds written into the fiscal 1962 appropriation bill in the hope that construction could be started on the building early this spring. However, the committee felt it was not possible to do this, and I am now appearing again to urge that the funds, requested by the administration in this instance, and approved by the House, be recommended for appropriation in the 1963 fiscal year bill before the committee.

The U.S. courts in Ogden are presently located in the post office building, in most inadequate space. Before the new building was authorized, full consideration was given to remodeling the post office and courthouse to provide enough space for the courts, but it was not feasible because of the building design and excessive cost. When the high annual rental to the Government on space for other Federal agencies was taken into consideration, it was found that a Federal building providing space for the U.S. courts, and the other Federal agencies in Ogden, was the best and most efficient solution to the problem. A building now occupied by the U.S. Forest Service will be disposed of by the Government when the Service takes its quarters in the new building. Units of other Government departments which will be housed in the new quarters include Health, Education, and Welfare, Treasury, Interior, Justice, and Selective Service. Some of them are in definitely substandard quarters now.

The design of the new building has now been approved, and pictures of it have appeared in the Ogden press. It was designed by a well-known Ogden firm—Keith W. Wilcox & Associates, which is a matter of considerable local pride.

It is to be a handsome, six-storied structure, with a basement and a penthouse, three elevators, and air conditioning. It will be located at a main intersection in the downtown area of Ogden, and should considerably enhance this city which is the center of a booming missile industry. Four miles south of Ogden is Hill Air Force Base.

Eight hundred and seventy thousand dollars has already been expended on the site and design for the new building, and the amount requested in this budget should complete construction. I sincerely hope there will be no delay in making the funds available.

There are two Utah items included in the budget request of $65 million for maintenance, repair, and remodeling of present federally owned buildings. Alterations which will cost approximately $950,000 have been authorized for the

Salt Lake City post office and courthouse, with $440,700 tentatively programed for the fiscal year 1963, and $478,000 has been authorized for construction and alteration in the post office and Federal office building in Provo, Utah, with $58,000 programed for use in the fiscal year 1963.

The Salt Lake City post office and courthouse was first occupied in 1903, and extended in 1919, and again in 1931. The building is structurally sound, and it can be continued in use for many years yet if some major replacements and improvements are made. To bring it up to modern standards of usefulness, repairs and replacements are needed on floors, windows, the roof cover, sidewalks, and restrooms, and the exterior needs some cleaning and painting.

The heating systems require some replacements and modernization. And the plans call for a central air-conditioning system which is to be financed by the Post Office Department and the General Services Administration.

I know from first-hand experience that all of the suggested repairs and replacements are important, but the installation of an air-conditioning system is an absolute must. In fact, I made a great effort early this spring to have the system established before the summer heat came on this year. The work must definitely be done before another summer rolls around.

I am sure there is nobody in Washington, D.C., who needs to be convinced that efficiency increases when air-conditioning is installed. Some time ago I asked GSA Administrator, Bernard L. Boutin, for the results of a study on the costs of air-conditioning and its effect on the employee. I was told that air-conditioning resulted in—

An average increase in productivity of 9.5 percent.
A decrease in errors of 0.9 percent.
A decrease in absenteeism of 2.5 percent.

Mr. Boutin also told me: "From an earlier study we have estimated that an increase in work production of 1.5 percent would pay for the Salt Lake air-conditioning, both installation and operating costs, in 20 years."

I have had many letters from postal employees and others about the urgency of installing an air-conditioning system in this building at the earliest possible date. Utah has had a number of especially hot summers in recent years, and they have taken their toll of workers in crowded, stuffy buildings. The heat has made more difficult heavy work like bagging mail and handling mail sacks, as well as careful, detailed work like mail sorting.

The system is really needed, however, year around. As C. Edward Goodson, president of Local 6 of the Utah Federation of Post Office Clerks, wrote last December:

"Even now, during the cold of winter, the building needs the air cleaned. With the doors and windows shut there is not proper ventilation, and the dust from the mail, fuzz from the twine, germs, etc. cause absenteeism and loss of time due to colds, hay fever, and other allergic reactions to the grime of the air."

There is no doubt that the installation of air-conditioning in the building is long past due, and would be considered a capital improvement.

The project for Provo is both an alteration and construction project. The Post Office Department has just vacated the old post office building and moved into new quarters under a lease arrangement.

The building vacated is a two-story and basement masonry building, with steel frame, masonry-bearing walls, and limestone facing, constructed in 1938 and in good condition. It provides 13,600 net square feet of space, of which 9,400 has been postal.

In Provo, the Federal Government occupies 34,000 square feet of commercial space at six locations at a rental of $55,000 per annum, including 13,000 square feet of rent-free space, used by the Naval Reserve. Of the total, 29,000 is special purpose space, and will have to be retained. But the remainder is standard office space. The purpose of the project now under consideration is to remodel and convert vacated postal space into general office space and to make a small extension in the building so that space could be provided to permit all Federal agencies in Provo, other than those having special space requirements, to be housed in the one building. Consolidation of agency activity at a single location would be more economical, increase efficiency, and bring greater convenience to the public.

The work will renovate and rehabilitate the existing structure, including elevator replacement and full air-conditioning, and will bring into first-class condition a building which should serve economically for another 40 years.

The need for increased Federal agency space results from the fact that the population of Provo has doubled in the last 20 years, and Federal employment has increased 90 percent in the same period. Provo is located in a rich fruit and vegetable growing area, and is the center of extensive dairy, poultry, and livestock industries which require Department of Agriculture services.

There is a large steel plant in the area, as well as a tile manufacturing plant, and several vegetable canneries. Prospects for continued growth are excellent, so I feel the expenditure of $478,000 to rehabilitate the post-office building for expanded use can be wholly justified. It is estimated that a new building would cost approximately $725,000.

I sincerely hope that funds will be provided for the work that the General Services Administration is ready to do on the three Utah projects in fiscal 1963 for construction of the Ogden courthouse and Federal office building, for alterations on the Salt Lake post office and courthouse building, and for alteration and extension of the post office and Federal office building in Provo.

Thank you.

RESTORATION OF FUNDS REQUESTED

STATEMENT OF GEORGE B. RILEY, LEGISLATIVE REPRESENTATIVE, AFL–CIO

GENERAL STATEMENT

Mr. Riley, will you proceed, please?

Senator ALLOTT. Mr. Riley, will you proceed, please?

Mr. RILEY. I am George B. Riley, legislative representative, AFL–CIO. Mr. Chairman, I want to express the thanks of the AFL–CIO for having the opportunity to appear on what we consider the vital clause of survival.

At the outset may I offer for the record, as an appendix in the form of a letter from William Schnitzler, our secretary-treasurer, directed to our field leaders on civil defense capability, a statement which I ask be included in the record, and I would like then to give some formal remarks?

Senator ALLOTT. And you want your full statement included?

Mr. RILEY. Yes.

Senator ALLOTT. The statement and the appendix will both be included in full in the record.

SUPPORT FOR OFFICE OF EMERGENCY PLANNING

Mr. RILEY. The AFL–CIO supports the request for $11 million by the Office of Emergency Planning for appropriations for fiscal 1963, including $8 million in salaries and expenses and $3 million for postattack planning.

The House cut $4 million from salaries and expenses and $3 million from postattack planning for a total cut of $7 million.

We ask you to restore the entire $7 million cut by the House.

The public knows that anything of quality cannot be purchased cheaply. So it goes with Government functions.

However, considering the vital role played by the Office of Emergency Planning as a staff arm of the President, with its multitudiness duties in the area of defense mobilization, in administering the disaster relief act, in the field of telecommunications, and in the programs to sustain the Government structure under any emergency, the total requested $8 million for the operation of day-to-day functions of the agency seems so exceedingly modest that I shall not burden you with repetitious detail.

POSTATTACK PLANNING

We emphasize the utmost importance of providing ample funds for their newly instituted program of postattack planning. Three million dollars is requested to finance economic and resource surveys at the State and local levels so that governments may develop the capacity to manage their own resources and economies following enemy assault until Federal direction and control can be established.

Visualize the chaos following a massive nuclear attack, with over one-third of our productive capacity destroyed or disrupted, and with the Federal Government temporarily unable to regulate or administer its responsibilities.

Although a good part of our land can lie in ruins there may be islands of survival in only partly damaged or undamaged areas.

With no immediate Federal aid and direction available our destiny as a Nation would be determined by the ability of States and local communities to allocate, control, and distribute food, medical supplies, and all sources of power; provide essential transportation and communication, to stabilize the economy, control monetary and credit systems, and administer distribution of requisite items.

It is imperative, under present world conditions, that these proposed surveys be undertaken now and not after the holocaust. Survival and recovery following an attack may well depend upon the States and communities having the necessary experience, plans, and organizations to manage their resources and economies until the Federal Government can take over.

HOUSE REPORT

House Report No. 2050 on H.R. 12711, in that portion covering the Office of Emergency Planning, reveals a remarkable capability of adjusting figures.

It would appear that the actual cut in appropriations for OEP was only $2 million instead of the $7 million cut or more than 60 percent.

To support this action, the report first says OEP's responsibilities are similar to those of the former ODM, and that emergency planning has been going on for years.

The ensuing paragraph thereupon cuts $3 million to begin a 3-year program of grants to States for postattack planning on the assumption that the Federal Government has been doing this type of planning for 10 years.

By the same process of deduction, planning, programing, and testing of missiles and nuclear devices is no longer necessary because it has been going on for 10 years.

Quite the contrary, it is because our military posture has become greater that our emergency planning for nonmilitary defense must be brought up to date and keep pace.

The statement describing the responsibilities of OEP as similar to ODM completely overlooks many added duties and responsibilities, including studies of petroleum requirements and supplies and textiles in relation to national security requirements, administering the National Disaster Act and the Communications Act, to mention a few.

DELEGATE FUNCTIONS, CIVIL DEFENSE

Insertion of $5 million for delegate functions in civil defense and defense mobilization functions of Federal agencies represents not only a cut of $1,876,000 from an essential program but it also reactivates the confusion of a few years ago when OEP predecessors were first told to take these funds out of their budget and put them into the several delegate departments' and agencies' budgets.

Then they were told to take them out. This rondelet continued several years.

It is our hope that your committee will restore the $7 million cut from the $11 million requested so that OEP can perform its mission of keeping current its program of nonmilitary emergency planning and, secondly, restore the $1,876,000 from the delegate agencies, restoring this to the $6,876,000 requested.

HOUSE REPORT ON DEFENSE FUNCTIONS

On the Office of Civil Defense side the House report states that established programs are recommended for continuation "at the same level as in 1962" and for which $65 million was approved.

However, in order to continue our established programs at the 1962 level the amount would appear as $132 million more than the bill carries.

This difference, of course, is exclusive of the shelter incentive program. Not only do we believe the House figures are not in line with the committee's expressed philosophy but that management and support costs actually are cut in half.

The report calls upon the Office of Civil Defense to continue the established programs of civil defense at the same general level as in 1962.

That, we consider, is a physical impossibility and certainly budgetary and fiscal whoop-de-do if you can manage to do the same thing on a lot less money. That, in essence, Mr. Chairman, is our case.

Briefed down—I have a reputation over the years of being brief and I have tried now to uphold that reputation.

Senator ALLOTT. You have done very well, sir.

You have been very consistent in your support of this program.

Mr. RILEY. Yes, we have.

Senator ALLOTT. That is throughout. I hope that along with the present situation and the President's recent statement, that we can achieve some kind of a consistent approach to this program.

Mr. RILEY. Well, I would like to——

Senator ALLOTT. We have been hot and cold. You call it a rondelet. You have fancier words than I do, but I hope that we can get off it.

Mr. RILEY. I would like to point out one situation that is certainly impossible.

HEARINGS FOR AUTHORIZATION NOT GRANTED

On the other side, the President persisted, and the Secretary of Defense persisted, in trying to get hearings before the Armed Services Committee and also on this side of the Capitol and up to date they have been unsuccessful.

But the Appropriations Committee has taken the attitude that "we are not going to give you the money until you get the authority" and the Armed Services Committee has said, "Why give you the authority when you are not going to get the money?"

So that is just about the same type of thing that we have been contending with and the Congress has, in trying to unscramble these delegated authorities, they have been working very hard at it, and once they get into one pigeonhole they say, "we will take it out and put it over here" and it goes back and forth.

And that is the kind of thing that civil defense has been taking a real beating on for a number of years consecutively.

Senator ALLOTT. You give a very concise and clear position, Mr. Riley.

Mr. RILEY. Thank you for your cordiality.

Thank you, Mr. Chairman.

Senator MAGNUSON. I might say that Mr. Riley has appeared on these items for quite a number of years now, and he has been very helpful to us and, as you say, we do try to unscramble them but——

Mr. RILEY. It is quite a job. You have my sympathy in trying to work it out.

Thank you.

(Mr. Riley's complete statement, appendix, and letter from Mr. Schnitzler follow:)

STATEMENT OF GEORGE D. RILEY, LEGISLATIVE REPRESENTATIVE, AFL–CIO

For more than 10 years we have been privileged to appear before your committee and other committees of the Congress supporting the Office of Emergency Planning and predecessor agencies in their request for appropriations.

Today, as for more than a decade, we have come not as experts familiar in detail with all of OEP's plans and programs, but specifically as a national organization vitally aware and actively concerned with the need of forceful and coordinated nonmilitary emergency planning. The AFL–CIO supports the request for appropriations for this agency because of a deep and abiding conviction that the wealth and resources of this Nation and all free nations, individual liberty, human dignity, and even survival depend on coequal military and nonmilitary emergency planning.

As nuclear weapons of even more incredible destruction are developed, new problems of preservation are created. With the advent of advanced weaponry, we are confronted with the inadequacy of the established concept of emergency planning, faced with demands for new requirements and current appraisals. Workable plans and facilities must be ready and remain current for a possible event we hope will never occur. The Office of Emergency Planning is the agency we look to for these plans.

Language from the AFL–CIO convention resolution last December on civil defense is just as applicable now as it was then. In part, that language was and still is:

"If we do not have a civil defense program that is at least approximately adequate, labor strongly believes that no potential aggressor can accept our statements of nuclear retaliation as seriously meant. Surely, if we really mean to reply in kind, one of the demonstrations of this intent is a program that will hopefully assure some enhancement of the survival of our civil population."

We believe that all Members of the Congress will agree that every citizen is entitled to the same protection from fallout as is afforded in remodeling and new construction still going on here and within a few hundred feet of here in other buildings rising to house officials and personnel in the structures taking their places on the skyline wherever we turn.

Military defense cost is great. Based on expert estimates it will continue at a high level as long as the international situation remains unstable. Research and testing of missiles have accounted for billions of dollars. Prospects of the expenditure of billions more are aimed at survival.

There is nothing in sight to change this need. How then, can any evaluation based on the same facts and the same global conditions deny any part of the $11 million appropriation requested for the nonmilitary emergency planning for survival?

The AFL–CIO supports the request for $11 million by the Office of Emergency Planning for appropriations for fiscal 1963, including $8 million salaries and expenses, and $3 million postattack planning. The House cut $4 million from salaries and expenses and $3 million from postattack planning for a total cut of $7 million. We ask you to restore the entire $7 million cut by the House.

The public knows that anything of quality cannot be purchased cheaply. So it goes with Government functions. However, considering the vital role played by the Office of Emergency Planning as a staff arm of the President, with its multitudinous duties in the area of defense mobilization, in administering the Disaster Relief Act, in the field of telecommunications, and in the programs to sustain the Government structure under any emergency, the total request of $8 million for the operation of day-by-day functions of the agency seems so exceedingly modest that I shall not burden you with repetitious detail.

ADEQUATE DEFENSE VERSUS HOP, SKIP, AND JUMP

We emphasize the utmost importance of providing ample funds for their newly instituted program of postattack planning. Three million dollars is requested to finance economic and resource surveys at the State and local levels so that governments may develop the capacity to manage their own resources and economies following enemy assault until Federal direction and control can be established.

Visualize the chaos following a massive nuclear attack, with over one-third of our productive capacity destroyed or disrupted, and with the Federal Government temporarily unable to regulate or administer its responsibilities. Although a good part of our land can lie in ruins, there may be islands of survival in only partly damaged or undamaged areas. With no immediate Federal aid and direction available, our destiny as a nation will be determined by the ability of States and local communities to allocate, control, and distribute food, medical supplies, and all sources of power; provide essential transportation and communication; stabilize the economy; control monetary and credit systems; and administer distribution of requisite items.

It is imperative, under present world conditions, that these proposed surveys be undertaken now, not after the holocaust. Survival and recovery following attack may well depend upon the States and communities having the necessary experience, plans, and organizations to manage their resources and economies until the Federal Government can take over.

With anticipated personnel and facility assistance to be provided by the States, it is estimated that in fiscal year 1963, 15 States and 30 local geographical areas may be studied and planning efforts be developed that would be consistent and compatible with national policies and plans. It may be that your own State is among those 15.

We cannot imagine a project more necessary and vitally essential to the preservation of our country.

ANALYZING THE HOUSE REPORT

House Report No. 2050 on H.R. 12711, in that portion covering the Office of Emergency Planning, reveals a remarkable capability of adjusting figures. It would appear that the actual cut in appropriations for the Office of Emergency Planning was only $2 million instead of the $1 million cut, or more than 60 percent. To support this action, the report first says the Office of Emergency Planning's responsibilities are similar to those of the former Office of Defense Mobilization and that emergency planning has been going on for years. The ensuing paragraph thereupon cuts $3 million to begin a 3-year program of grants to States for postattack planning on the assumption that the Federal Government has been doing this type planning 10 years.

It is incredible that in the first instance because emergency planning has been going on for years $4 million should be allowed, and in the second instance postattack planning in the States should be denied because this type planning has been going on for 10 years.

By the same process of deduction, planning, programing, and testing for missiles and nuclear devices is no longer necessary because it has been going

on for 10 years. Quite the contrary, it is because our military posture has become greater that our emergency planning for nonmilitary defense must be brought up to date and keep pace.

The statement describing the responsibilities of the Office of Emergency Planning as similar to the Office of Defense Mobilization completely overlooks many added duties and responsibilities, including studies of petroleum requirements and supplies and textiles in relation to national security requirements, administering the National Disaster Act and the Communications Act to mention a few.

Insertion of $5 million for delegate functions in civil defense and defense mobilization functions of Federal agencies represents not only a cut of $1,876,000 from an essential program but it also reactivates the confusion of a few years ago when the Office of Emergency Planning predecessors were first told to take these funds out of their budget and put them into the several delegate departments' and agencies' budgets. Then they were told to take them out. This rondelet continued several years.

It is our hope that your committee will restore the $7 million cut from the $11 million requested so that the Office of Emergency Planning can perform its mission of keeping current its program of nonmilitary emergency planning and, secondly, restore the $1,876,000 cut from the delegate agencies, restoring this to the $6,876,000 requested.

Operations and maintenance in themselves do not assure survival: Continuing civil defense on a fragmented basis is daring the fates.

Turning to the budget of the Defense Department, Office of Civil Defense, where are we with regard to what has happened to the proposition of defending the citizens on the homefront? Quoting from our 1961 convention resolution on the subject of shelters and the possibility of nuclear war, the AFL–CIO said:

"Yet Americans have been told that while millions will die, some can survive if proper civil defense measures are taken. As of this date (December 1961), however, there is within the Nation a mass of confusion and consternation concerning the dread threat. There has been no all-out massive preparation for the possibility of survival."

Survival is what we want and must have but if the shelter program as dealt with in the House is the standard for judgment, there just isn't any "massive preparation for the possibility of survival."

On the contrary, taking the entire amount granted the Department of Defense for warning and detection, emergency operation and research and development, $75 million, which, divided by the population, shows 40½ cents per head for these items and still not 1 cent for shelters. The American people must have far more value than 40½ cents each.

Therefore, we call up the words of Chairman Holifield who sizes up the situation on shelters as follows:

"The civil defense budget requested by the Department of Defense for fiscal year 1963 totals $695 million, of which $460 million is for the Federal shelter incentive program which requires new authorizing legislation. Since the Armed Services Committee has not acted on that authorizing legislation, that $460 million is not before us now.

"The remainder of the request is $235 million, and this has been chopped to $75 million.

"What does this mean? First, it means that the present civil defense fallout shelter program has to be stopped in midcourse.

"This is poor business. The Congress last year appropriated money for a fallout shelter survey, marking and stocking program. We are now refusing the funds either to keep the survey up to date, or to finish the procurement and allow the movement of supplies that have been purchased, into the shelters that have been identified.

"Furthermore, the committee action restricts the funds which may be contributed to the State and local governments to last year's level. But under the program which is set before the Congress, the State and local groups have the vastly higher workload of getting the supplies into the shelters which have been identified. There is not a penny for this new big job."

It is noted that the Department of Defense has stated that in the face of sharp reduction in funds for operations and maintenance, one of the consequences will be curtailment in 35 States, the Commonwealth of Puerto Rico and the District of Columbia of the adult education program. Further, that the

program cannot be offered to the remaining 15 States. The adult education program presently exists in the following:

1. Alaska
2. California
3. Colorado
4. District of Columbia
5. Florida
6. Georgia
7. Hawaii
8. Idaho
9. Illinois
10. Indiana
11. Iowa
12. Kansas
13. Kentucky
14. Louisiana
15. Maine
16. Maryland
17. Minnesota
18. Mississippi
19. Missouri
20. Montana
21. Nebraska
22. New Jersey
23. New Mexico
24. Ohio
25. Oklahoma
26. Oregon
27. Pennsylvania
28. Puerto Rico
29. Rhode Island
30. South Carolina
31. Tennessee
32. Texas
33. Vermont
34. Washington
35. West Virginia
36. Wisconsin
37. Wyoming

I do not have the list of States and local political subdivisions wherein elimination of funds for emergency operating centers will be interrupted in functioning but I understand there are 67 facilities in 15 States and 52 subdivisions.

Finally, it is recalled that for fiscal year 1962 the present management salaries and support costs appeared to be in line with the duties and responsibilities reposed in the Department of Defense in connection with continuation of programs established for that fiscal year. The amount, as I recall, was $14.6 million.

Now, the House committee report includes $7.3 million for the same purposes, i.e., salaries and support costs, 50 percent of the budget estimate.

The House report takes cognizance of continuing civil defense programs at the same level as in fiscal year 1962. At the same time, it does not take note of the same general level which provides supervision and direction of civil defense programs in general.

CONCLUSION

As one of the first and certainly what I believe to be the most consistent organization calling for adequate civil defense of this Nation, the AFL–CIO feels justified in asking if the House cuts now are the end of the line for the program for which the President last year gave the green light to proceed.

If polling of sentiment has any value, such polls have shown the public does want to get its civil defense guard up. Civil defense today is in a stop-and-go halting indecisive phase. This recalls the conversation some House Appropriations Committee members were having just before Pearl Harbor. I remember hearing them discussing how many war planes they were going to allow Franklin Roosevelt. Said one:

"We'll give him 1,500 planes and that's all we'll give him."

When the Sunday gloom of December 7, 1941, had settled over Washington, the Congress the following day could not comply fast enough with Mr. Roosevelt's demand for 75,000 war planes a year and the money with which to buy them. Many of those who today think the people have lost their zest for civil defense were here in 1941.

Here's hoping we don't run out of luck.

APPENDIX

The House report states that established programs are recommended for continuation "at the same level as in 1962" and for which $65 million was approved. The amount would appear to be $158,700,000 more than the bill carries. This difference, of course, is exclusive of the shelter incentive program.

Not only do we believe the House figures are not in line with the committee's expressed philosophy, but that management and support costs actually are cut in half, as we see the situation. The report calls upon the Office of Civil Defense to "continue the established programs of civil defense at the same general level as in 1962."

As we further see the situation some $153 million for identification, marking, and stockpiling has been invested and contracts awarded. This means the Army Corps of Engineers must be reimbursed for distribution of shelter signs and supplies dating from July 1, 1962. Supplies would be presumed to move from warehouses to shelters. As we examine the situation, we find no funds to

transport these items. The Government, therefore, under the House ground rules, can find itself in the position of buying goods and with no means of putting them at the disposal of the American public.

The apparent result, thus, is that the Government once more can cancel whatever is cancellable and pay the penalty costs in addition. There are 60 million shelters throughout the United States ready for use and occupancy. Failure to meet the responsibility will leave many local communities in deplorable fiscal posture relative to programing shelter projects at their respective level. Thus, the loss of 60 million shelters over a period of months can be completely lost in this chain reaction set off by the House committee.

In the face of such a situation, what can we say about the continuity of government which the Senate on several occasions has voted to maintain during times of stress and strife?

In Federal buildings the national survey has located 4,581,978 fallout shelter spaces which will be marked and stocked this calendar year. This represents 2.5 percent of the resident population of the United States. These shelter spaces will be marked for public use.

There are some 5,298 Federal buildings in which shelter spaces have been identified and evaluated.

If the Federal Government does not demonstrate leadership by improving existing Federal buildings, how can we expect State and local government, industry or private owners to incorporate shelters in existing structures for the protection of our citizens?

There are funds to continue the construction of protective features in about 700 Federal buildings which will provide upwards of one-half million additional shelter spaces (over and above spaces as designated by the survey as being available without modification of structures. These 700 buildings represent only 4 percent of the 16,615 Federal buildings that can be modified to provide shelter for 20 million people.

To stop now will be to take out insurance for portions of the Federal Government and leave the remainder to their fate, it would seem.

The new Senate Office Building has been surveyed, and the shelter specifications show 28,517 spaces available, ready to be marked, and stocked with shelter supplies.

We endorse the findings of the reputable Michigan State University survey this year showing that even after the Berlin crisis 68 percent of a wide cross-section of citizens want a program of protection against nuclear fallout and that 77 percent want the Federal incentive program for schools, colleges, and hospitals.

LETTER FROM WILLIAM F. SCHNITZLER

To Presidents of State Central Bodies:

DEAR SIR AND BROTHER: The Office of Emergency Planning, Executive Office of the President, is charged with aiding and assisting the President in the development of nonmilitary defense plans and programs. As a part of this, they are urging the States and, later, major metropolitan areas to develop a capability to temporarily administer necessary economic controls should nuclear war ever occur. It is possible that effective national control could not be exercised for a time after a massive attack. Accordingly the State and local mechanisms would be of utmost importance.

The Labor Advisory Committee to the Office of Emergency Planning, which I chair, has followed closely OEP's program of briefing the leaders of all of the State governments in the early days of 1962. Following this, in the spring of 1962, OEP held a series of eight regional conferences, on which we wrote you and which many of you attended. I am happy to be able to enclose with this letter a summary report on those conferences.

In the basic comprehensive program, the Office of Emergency Planning strongly recommends the involvement of representative leaders of the private economy, specifically including trade union leaders. The Governors of the several States are beginning now to appoint State emergency resources planning committees and appropriate task forces, such as for manpower, transportation, communications, etc., under the direction of these committees. In all of these, it is hoped that trade unions will be fully represented. The pace of this program is indicated by the fact that 42 Governors have already designated State emergency planning directors.

The above background is necessary to an understanding of the action I recommend you now take. I urge that you tell the Governor of your State of your willingness to cooperate with the State government in the emergency planning program that is being developed, and that you will serve on the State emergency resources planning committee and suggest people for the task groups. Similarly, you can advise the State government of the names of leaders of our local central bodies in the metropolitan areas as local programs will be initiated in the future. These steps will assure full trade union contribution to these vital plans for emergency economic recovery.

With every good wish, I am,

Fraternally yours,

WM. F. SCHNITZLER,
Secretary-Treasurer, AFL–CIO.

VETERANS' ADMINISTRATION

STATEMENTS OF MIKE GORMAN, EXECUTIVE DIRECTOR, NATIONAL COMMITTEE AGAINST MENTAL ILLNESS, WASHINGTON, D.C.; DR. DOUGLAS TALBOT, OHIO STATE UNIVERSITY; AND DR. SIDNEY FARBER, BOSTON CHILDRENS HOSPITAL

MEDICAL RESEARCH

Senator ALLOTT. The next witnesses will those in connection with the Veterans' Administration, medical research, Mike Gorman, Dr. Sidney Farber, and Dr. Douglas Talbot.

Why do not all of you come to the table at once?

Senator MAGNUSON. Mr. Chairman, this year you and I have reversed the procedure a little bit.

We used to have a Veterans' Administration and medical people and then hear our outside consultants, who are here today, but this year we are going to hear our outside consultants first and then we will talk to the Veterans' Administration medical people.

Senator ALLOTT. Well, we will try to get along with them.

Mr. GORMAN. Mr. Chairman, I have a prepared statement. I will not read the whole thing. I will file it for the record, if I may.

Senator ALLOTT. It will be included in the record in full as if delivered.

Mr. GORMAN. Thank you.

I will just highlight a few points and turn it over to the experts, the doctor on this side and the doctor on this other side.

We will proceed rapidly, and I hope you will not have to impose cloture on me.

For fiscal 1963, the administration proposes $30 million for the entire medical research program of the Veterans' Administration.

This sum includes $3 million for construction of research laboratories.

The administration proposal is actually $750,000 less than the amount appropriated last year by the Congress for Veterans' Administration and medical research.

After a careful and lengthy study of the research potential within the Veterans' Administration we are recommending a total of $43,500,000 for these activities during fiscal 1963.

Our budget includes $6 million for research laboratory construction as the first step in implementing a recent Veterans' Administration survey which documented a minimum need of $40 million over the next 5 years for the construction of necessary laboratory facilities.

We do believe that the lack of laboratory facilities is holding up much of the potential medical research.

SIZE OF RESEARCH PROGRAM

It is important to know that the size of the research program we are advocating represents only about 4 percent of the total of $1.1 billion which the Veterans' Administration will spend on medical care during fiscal 1963.

It is a conservative figure in light of the fact that 6 years ago, in a debate on the floor of this Senate, the chairman of this committee and a number of other Senators pointed to a general consensus among Government and medical leaders that 10 percent of the budget of any public hospital system should be devoted to research and allied training.

And I might point out also that this past year has witnessed record breaking improvements in the medical care of veterans.

PATIENTS TREATED

Due in considerable degree to improved techniques developed by medical research findings, 30,000 more patients were treated and the waiting list of veterans seeking hospitalization was reduced by 4,000.

In the same year, a new high of 194,000 surgical operations were performed.

Many of these operations, particularly those to correct heart defects and to remove malignant tumors, were highly complex in nature and owed much of their success to technical advances produced by medical research.

The last annual report of the Veterans' Administration to Congress on medical research was the establishment of a number of special laboratories designed to focus research efforts upon those diseases which cause the greatest amount of disability and death to our veterans.

CANCER RESEARCH

As an example, a special laboratory was opened in Minneapolis in 1961 to concentrate on the search for substances which cause cancer and how procedures can be applied to inhibit the development of malignancies.

Within the past several years special laboratories have been established in the fields of chronic infections, neuropsychiatry, psychopharmacology, neurology, and medical electronic data processing.

The medical case records of the Veterans' Administration, which are the finest and most complete in the country, continue to offer a tremendous opportunity to medical research in terms of following the course of a disease over a long period of years.

HEART DISEASE RESEARCH

For example, the coronary heart disease study is based upon a followup of 2,000 admissions for heart disease to Army hospitals in 1943–44.

And I am sure that Dr. Talbot on my left will comment on that.

But I might say, for example, that two-thirds of the patients were under 45 at the time of diagnosis. The study is concentrating on the evaluation of those who have survived in relation to the nature of the original attack and the general living patterns of the patients in that time.

When all the data has been gathered there will be many leads for decisions both in the treatment of heart disease and in the possible prevention of additional heart attacks among patients who have survived an acute attack.

FOLLOWUP STUDIES

Additional followup studies include one on ulcerative colitis and one on the role of heredity in disease. In the latter study, the Veterans' Administration has developed a remarkable roster of 15,000 pairs of twins who were born in the period 1917 to 1927, and all of whom saw military action in World War II or subsequent to that period.

It is beyond dispute that no other medical organization in the world has records as complete as that required in this vital study of the comparative roles of heredity and environment in the causation of disease.

TUBERCULOSIS

As to tuberculosis, as this committee knows, the Veterans' Administration has received worldwide recognition for its research program in the testing and evaluation of surgical techniques and new drugs effective against tuberculosis.

This research program, estimated to cost in the neighborhood of $2 million, has reduced the number of hospitalized tuberculosis patients by more than 6,000 and has saved the Veterans' Administration more than $100 million bed operation and construction costs.

Figures recently released by the Veterans' Administration show that, in the period from March 31, 1961, to March 31, 1962, there was a further reduction of more than 600 tuberculosis beds.

So this is still a considerable increase in the production of tuberculosis beds.

This continuing progress represents an additional saving of $4 million in operating costs, plus a sizable sum which will not have to be expended for the construction of additional beds.

MENTAL ILLNESS

As to mental illness, although victims of mental illness still fill more than 50 percent of the beds in Veterans' Administration hospitals, it is heartening to note that research progress in this field, within the past year, has been the most striking since the inception of the Veterans' Administration medical research program.

For the past 7 years, coincident with the introduction of the newer psychiatric drugs, there has been a remarkable 70 percent increase in the discharge of neuropsychiatric patients, from 28,000 in 1954 to 48,000 in 1961.

Senator ALLOTT. That is, even though the load has increased?

Mr. GORMAN. And the load has increased, Senator Allott, considerably.

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So this, I think, one statistic kind of dramatizes the progress that has been made throughout the country.

And because of this rapid turnover of mental patients the number of mentally ill veterans on the waiting list for hospital admission has been cut by 7,000.

The Veterans' Administration has also pioneered in developing experimental facilities designed as effective substitutes for expensive 24-hour hospitalization.

For example, in 1961, 4,000 veterans recovering from mental illness were living in foster homes, halfway houses, and other special out-of-hospital facilities.

According to estimates presented by the Veterans' Administration in its annual report to the Congress, and that is for last year, this is equivalent to gaining the use of eight 500-bed hospitals with no construction cost to the taxpayers.

Despite these advances mental illness is still costing the Veterans' Administration close to $900 million annually in both hospital care and compensation and pension payments.

This is approximately 300 times the small sum of $3 million spent by the Veterans' Administration for psychiatric research during fiscal 1962.

Now, I will skip over the cancer and heart disease areas because I hope I am flanked by experts in those areas.

RESEARCH ON AGING

I might say one thing about "aging" though.

The urgent importance of accelerated research in this field is dictated by the fact that over 27,000 hospitalized veterans, more than 25 percent of the entire patient load of the Veterans' Administration hospital system, are now over 65 years of age.

And we, therefore, submit that this is an important area in research.

Senator MONRONEY. Did you mean to say this was in the Veterans' Administration system?

Mr. GORMAN. The whole system, Senator Monroney.

There are 27,000 patients over 65 years of age. So this involves a tremendous challenge.

The average age, incidentally, of the hospitalized veteran today is 51 years of age. So it is a problem.

In this category, studies of heart and blood disease have nearly doubled in recent years, and there has been a considerable increase in research on eye, hearing, and other disabilities of our aging veterans.

RESEARCH FUND ON AGING INADEQUATE

However, as the Veterans' Administration annual research report implies, the sum of $2,250,000 devoted to aging in fiscal 1962 is hardly adequate to meet the exciting research challenges in this area.

And we do not think that this is adequate to the problem and, in fact, to give you one example, and there are many that we could give you, but we think that there is a real backlog at the Veterans' Administration hospital in California, where they recruited an excellent man, Dr. Harry Sobel, in the field of biochemical aspects of aging,

and he wants a total of $565,000 to do some research on aging, but because of the present budget he is allowed $50,000.

Off of that as just one example of a project that would cost $550,000, and he is allocated $50,000 because of inadequate funds.

COMPLETENESS OF VA RECORDS

Now, one more thing that the committee is quite familiar with, so I will not belabor it at all, is the ability of the Veterans' Administration, because of the very complete case records and because of its unified system, to have a cooperative effort in all areas.

There are now 19 medical and 10 surgical cooperative studies underway in the Veterans' Administration medical research program. Starting with the oldest and most famous of them all, the cooperative study of drugs in the treatment of tuberculosis, the cooperative program has expanded in recent years to include all of the major diseases affecting veterans.

ORAL DRUGS IN DIABETES

One of the most important of these is the cooperative study of oral drugs in the treatment of diabetes.

Since the inception of this project in April 1959, 1,700 diabetics have been under study in a score of Veterans' Administration hospitals.

Other cooperative studies include the widely heralded evaluation of new drugs in the treatment of hypertension and broad collaborate studies of deafness, endocrine disorders, and gastric ulcers.

And there are cooperative studies in cancer and heart disease and so forth.

And this is an enormous opportunity to take thousands of veterans to do research work on them and to come up with answers which are awaited by the medical research world.

STUDY ON TRANQUILIZERS AND DEPRESSANTS

And in the field, in which I am interested, for example, over the past 5 years the Veterans' Administration has conducted the largest evaluation ever done in any part of the world on the effectiveness of the new tranquilizing and antidepressant drugs in the treatment of various forms of mental illness.

The Veterans' Administration has launched, and in some cases completed, 12 cooperative studies in the field of psychiatry and is now concentrating on the early screening of new drugs which have shown initial promise in the treatment of schizophrenia and depression.

Because of its ability to bring as many as 40 hospitals into this cooperative evaluation, and because its medical records are the most complete in the country, its cooperative studies on the new psychiatric drugs have been a major factor in their acceptance in mental hospitals and clinics throughout the Nation.

Now, the research laboratories, I think I averted to that before, and you cannot make progress unless you have a research laboratory.

RESEARCH LABORATORY CONSTRUCTION

A great number of the Veterans' Administration hospitals were built before World War II or before the advent of the medical re-

search program, so we do make a plea of $6 million for research laboratory construction, based on the Veterans' Administration's only study that it will need approximately $40 million over the last decade in research laboratory facilities.

Now, just one final point and then I will turn it over to Dr. Talbot.

The deficiency in research laboratories stems from the fact that most of the existing Veterans' Administration hospitals were built before the Veterans' Administration research program was inaugurated, as I stated before, and the recent survey of laboratory construction needs by the Veterans' Administration indicates that 850,000 square feet will be required within the next 10 years.

We must start now to build toward this goal, for if we do not provide proper laboratory facilities, we will not hold many of the outstanding investigators now active in the Veterans' Administration medical research program.

RESEARCH INVESTIGATORS

In the course of each year, Mr. Chairman and members of the committtee, I do get around to visiting quite a few of the Veterans' Administration hospitals, and I have talked to quite a number of directors in the field and I can get reports to this committee that they have been approached by a number of research investigators who would like to come to work in the Veterans' Administration.

However, because no program expansion is provided in the current Administration budget, these badly needed investigators must be turned away.

I want to emphasize that none of these applications has been solicited, and an active recruitment program based upon a sound expansion of research would turn up scores of additional research people who would welcome the magnificent opportunity to partake in one of the finest research programs in the world.

I have attached to my statement the budget request of the outside witnesses, which is for $43.5 million against the Administration's recommendation.

Senator ALLOTT. Thank you. That is included in your statement?

Mr. GORMAN. That is included, Mr. Chairman.

Senator ALLOTT. Mr. Chairman?

Senator MAGNUSON. Well, I was looking at the House figure here.

ITEMS UNDER ALLOWED FUNDS

The House put in medical and prosthetic research, $28 million, which is the budget amount.

Mr. GORMAN. That is right.

Senator MAGNUSON. But in medical administration and operating expenses they cut that—no, the budget amount is $13.7 million and they gave $13.7 million but this is $30 million under last year. What does that include, Mike? The medical administration and miscellaneous operating expenses?

Mr. GORMAN. Well, of course, it includes the operations of——

Senator MAGNUSON. Laboratories?

Mr. GORMAN. No; I do not think it does. I think it includes practically all the operations of the central office, Dr. Lighten's office in

Washington; just the administration of the Department of Medicine and Surgery.

Senator MAGNUSON. That is cut considerable because—oh, Mr. Cooper explains that to me. Last year they had medical research under a separate item.

So now, we have to put the two together?

Mr. GORMAN. Yes. Yes; this——

MEDICAL ADMINISTRATION AND OPERATION

Senator MAGNUSON. $13 million for medical administration and operating expenses. They gave them $13,772,000?

Mr. GORMAN. Yes.

Senator MAGNUSON. And they gave $28 million for research?

Mr. GORMAN. That is right.

Senator ALLOTT. Well, that would actually make a total of the two of $41,772,000 then, Senator.

Senator MAGNUSON. And how much——

Mr. GORMAN. Yes.

Senator MAGNUSON. How much is that?

Senator ALLOTT. $41——

Senator MAGNUSON. And last year the total was $43,876,000?

Mr. GORMAN. That is right.

Senator ALLOTT. That is right.

Senator MAGNUSON. So it is under by $2 million. Despite the fact that medical care has, for the first time in all the years that I have been handling this thing, gone over $1 billion?

TOTAL MEDICAL CARE

Mr. GORMAN. Yes. The total medical care cost is now $1,100 million exclusive of construction, which is also an additional cost of about $75 million.

So it is a fairly heavy——

Senator MAGNUSON. Yes. So the percentage for research on these figures is lower than they had last year, but not much; but it is lower?

Mr. GORMAN. Yes; it is lower. It is a smaller percentage lower.

Senator ALLOTT. Five percent, roughly.

Mr. GORMAN. Yes.

The next witness I have, Mr. Chairman, is Dr.——

Senator ALLOTT. I think we had better recess, Mr. Chairman. That is a rollcall.

Senator MAGNUSON. Is that a rollcall?

Senator ALLOTT. Yes.

AGE OF WORLD WAR II VETERANS

Senator MAGNUSON. But the point I want to make is the fact that this has reached over $1 billion is normal because the age of World War II veterans, of the big bulk, is getting about the time where, including the chairman, we need a few things done.

Senator ALLOTT. That means that you and I cannot get into them. We are too old.

Senator MAGNUSON. Yes; but if we had not had the research I would think that this figure might have been $1.5 billion.

Mr. GORMAN. Certainly, in the case of mental illness it would have been.

Senator MAGNUSON. It might have been 1 billion five or at least. Is that not right?

Mr. GORMAN. That is right, there is no argument about that.

(Mr. Gorman's complete statement follows:)

STATEMENT OF MIKE GORMAN, EXECUTIVE DIRECTER, NATIONAL COMMITTEE AGAINST MENTAL ILLNESS

Mr. Chairman and members of the committee, for fiscal 1963, the administration proposes $30 million for the entire medical research program of the Veterans' Administration. This sum includes $3 million for construction of research laboratories.

The administration proposal is actually $750,000 less than the amount appropriated last year by the Congress for VA medical research.

After a careful and lengthy study of the research potential within the VA, we are recommending a total of $43,500,000 for these activities during fiscal 1963. Our budget includes $6 million for research laboratory construction as a first step in implementing a recent VA survey which documented a minimum need of $40 million over the next 5 years for the construction of necessary laboratory facilities.

It is important to note that the size of the research program we are advocating represents only about 4 percent of the total of $1.1 billion which the Veterans' Administration will spend on medical care during fiscal 1963. It is a conservative figure in light of the fact that 6 years ago, in a debate on the floor of the Senate, the chairman of this committee and a number of other Senators pointed to a general consensus among Government and medical leaders that 10 percent of the budget of any public hospital system should be devoted to research and allied training.

This past year has witnessed recordbreaking improvements in the medical care of veterans. Due in considerable degree to improved techniques developed by medical research findings, 30,000 more patients were treated and the waiting list of veterans seeking hospitalization was reduced by 4,000. In the same year, a new high of 194,000 surgical operations was performed. Many of these operations, particularly those to correct heart defects and to remove malignant tumors, were highly complex in nature and owed much of their success to technical advances produced by medical research.

The last annual report of the Veterans' Administration to Congress on medical research notes the establishment of a number of special laboratories designed to focus research efforts upon those diseases which cause the greatest amount of disability and death to our veterans. As an example, a special laboratory was opened in Minneapolis in 1961 to concentrate on the search for substances which cause cancer and how procedures can be applied to inhibit the development of malignancies. Within the past several years, other important special laboratories have been established in the fields of chronic infections, neuropsychiatry, psychopharmacology, neurology, and medical electronic data processing.

The medical case records of the Veterans' Administration, which are the finest and most complete in the country, continue to offer a tremendous opportunity to medical research in terms of following the course of a disease over a long period of years. For example, the coronary heart disease study is based upon a followup of 2,000 admissions for heart disease to Army hospitals in 1943–44. Two-thirds of the patients were under 45 at the time of diagnosis; the study is concentrating on the evaluation of those who have survived in relation to the nature of the original attack and the general living patterns of the patient since that time. When all the data has been gathered, there will be many leads for physicians both in the treatment of heart disease and in the possible prevention of additional heart attacks among patients who have survived an acute attack.

Additional followup studies include one on ulcerative colitis and one on the role of heredity in disease. In the latter study, the VA has developed a remarkable roster of 15,000 pairs of twins who were born in the period 1917–27, and all of whom saw military action in World War II or subsequent to that period. It is beyond dispute that no other medical organization in the world has records

as complete as that required in this vital study of the comparative roles of heredity and environment in the causation of disease.

Time does not permit a detailed discussion of the thousands of research projects carried on in the 170 VA hospitals during fiscal 1962, but the following highlights will serve to illustrate the exciting progress which is being made:

TUBERCULOSIS

As this committee knows, the Veterans' Administration has received worldwide recognition for its research program in the testing and evaluation of surgical techniques and new drugs effective against tuberculosis. This research program, estimated to cost in the neighborhood of $2 million, has reduced the number of hospitalized tuberculosis patients by more than 6,000 and has saved the Veterans' Administration more than $100 million in bed operation and construction costs.

Figures recently released by the Veterans' Administration show that, in the period from March 31, 1961, to March 31, 1962, there was a further reduction of more than 600 TB beds. This continuing progress represents an additional saving of $4 million in operating costs, plus a sizable sum which will not have to be expended for the construction of additional beds.

MENTAL ILLNESS

Although victims of mental illness still fill more than 50 percent of the beds in VA hospitals, it is heartening to note that research progress in this field within the past year has been the most striking since the inception of the VA medical research program.

Over the past 7 years, coincident with the introduction of the newer psychiatric drugs, there has been a remarkable 70 percent increase in the discharge of neuropsychiatric patients—from 28,000 in 1954 to 48,000 in 1961. Because of this rapid turnover of mental patients, the number of mentally ill veterans on the waiting list for hospital admission has been cut by several thousand.

The VA has also pioneered in developing experimental facilities designed as effective substitutes for expensive 24-hour hospitalization. For example, in 1961 4,000 veterans recovering from mental illness were living in foster homes, halfway houses, and other special out-of-hospital facilities. According to estimates presented by the VA in its annual report to the Congress, and that is for last year, this is equivalent to gaining the use of eight 500-bed hospitals with no construction cost to the taxpayers.

Despite these advances, mental illness is still costing the Veterans' Administration close to $900 million annually in both hospital care and compensation and pension payments. This is approximately 300 times the small sum of $3 million spent by the VA for psychiatric research during fiscal 1962.

CANCER

This committee is also familiar with the fact that the close coordination between various VA hospitals makes them ideally suited to conduct cooperative studies, involving large numbers of patients, on the effectiveness of new compounds and surgical techniques in the field of cancer. At the present time, cancer research with the Veterans' Administration constitutes approximately one-third of the national screening program to find new drugs effective against cancer. In addition to broad cooperative studies on lung cancer and cancers of the prostate, stomach, and colon, the VA is currently using the surgical facilities of 22 of its hospitals in the cinical trial of various drugs with regard to their ability to prevent the recurrence of cancer following surgery.

Distinguished nongovernmental scientists have, in past testimony before this committee, paid tribute to the high quality of cancer research in the VA. Confirming this view, the World Health Organization recently awarded one of six $10,000 prizes for cancer research of worldwide significance to Dr. Ludwik Gross, of the Bronx VA hospital. Dr. Gross is internationally known for his brilliant pioneer studies on the relation of viruses to cancer.

As the veteran population ages—the average age of the hospitalized veteran is now over 50 years—the volume of cancer patients under the VA's supervision and care is increasing. This poses the obligation of closely following these individuals in order to afford the earliest and best treatment for each. Cognizant of this responsibility, the Veterans' Administration has developed the most complete central cancer registry in the country, including up-to-date clinical

data on each case. In making data available from this cancer registry, as well as in all its regional cooperative studies, the VA has developed a close working relationship with the National Cancer Institute, the American Cancer Society, and the medical schools and universities of the country.

HEART DISEASE

During the past year, the Veterans' Administration continued its leadership in cardiovascular surgical research; there are now more than 40 VA hospitals equipped for the most complicated types of heart surgery. In addition to the many surgical and instrumental improvements listed in last year's testimony, a research team at the VA hospital in Buffalo has developed a new electronic pacemaker which can be lifesaving when the normal impulse is deficient or absent in the heart.

Because heart disease is the No. 1 killer in this Nation, the VA's cooperative study of atherosclerosis is being followed with an extraordinary degree of interest. In this study, patients with coronary heart disease or strokes are being followed by physicians in 11 hospitals in a combined effort to learn the importance of diet, anticoagulants, cholesterol-reducing measures, and other therapies of potential use in preventing the recurrence of heart attacks.

AGING

The urgent importance of accelerated research in this field is dictated by the fact that over 27,000 hospitalized veterans, more than 25 percent of the entire patient load of the VA hospital system, are now over 65 years of age.

In this category, studies of heart and blood disease have nearly doubled in recent years and there has been a considerable increase in research on eye, hearing, and other disabilities of our aging veterans. However, as the VA annual research report implies, the sum of $2,250,000 devoted to aging in fiscal 1962 is hardly adequate to meet the exciting research challenges in this area.

RADIOISOTOPE STUDIES

Over the past decade, the VA has developed a magnificent chain of radioisotope laboratories. In the event of nuclear disaster of war, these radioisotope laboratories in 60 of our VA hospitals could prove invaluable in evaluating the degree of radioactive contamination present among people in various parts of the country.

Radioisotope techniques play an increasingly important part in the detection and treatment of disease in VA hospitals. For example, at the Hines VA Hospital in Illinois, research scientists use a substance labeled with radioactive phosphorous for treating prostatic cancers which have spread to the spine. At the Bronx VA Hospital, investigators using radioisotopes as a diagnostic tool have discovered that anyone receiving insulin develops an insulin-binding antibody and that this antibody can be measured quantitatively.

In a further expansion of its radioisotope work, the VA last year installed a nuclear reactor at the Omaha hospital. In addition to its use in applying radiation treatment to diseased organs or tissues, the reactor produces radioisotopes for use by research investigators.

COOPERATIVE STUDIES

There are now 19 medical and 10 surgical cooperative studies underway in the VA medical research program. Starting with the oldest and most famous of them all, the cooperative study of drugs in the treatment of tuberculosis, the cooperative program has expanded in recent years to include all of the major diseases affecting veterans. One of the most important of these is the cooperative study of oral drugs in the treatment of diabetes. Since the inception of this project in April 1959, 1,700 diabetics have been under study in a score of VA hospitals.

Other cooperative studies include the widely heralded evaluation of new drugs in the treatment of hypertension and broad collaborative studies of deafness, endocrine disorders, and gastric ulcers.

Over the past 5 years, the VA has conducted the largest evaluation ever done in any part of the world on the effectiveness of the new tranquilizing and antidepressant drugs in the treatment of various forms of mental illness. The VA has launched, and in some cases completed, 12 cooperative studies in the field

of psychiatry and is now concentrating on the early screening of new drugs which have shown initial promise in the treatment of schizophrenia and depression.

Because of its ability to bring as many as 40 hospitals into this cooperative evaluation, and because its medical records are the most complete in the country, its cooperative studies on the new psychiatric drugs have been a major factor in their acceptance in mental hospitals and clinics throughout the Nation.

RESEARCH LABORATORIES

In its 1961 annual report, the VA documents the proposition that the greatest obstacle to an expansion of its medical research efforts lies in its "inability to provide modern, properly designed, and integrated laboratory facilities." The report points out that the lack of such modern laboratories actually increases the expense of operation for many hospitals by requiring unnecessary duplication of facilities, equipment, and supplies.

The deficiency in research laboratories stems from the fact that most of the existing VA hospitals were built before the VA medical research program was inaugurated. The recent survey of laboratory construction needs by the VA indicates that 850,000 square feet will be required within the next 10 years. We must start now to build toward this goal, for if we do not provide proper laboratory facilities, we will not hold many of the outstanding investigators now active in the VA medical research program.

For the aforementioned reasons, we are recommending $6 million in research laboratory construction for fiscal 1963. We envision a similar expenditure over the next few years so that the VA can catch up with its laboratory backlog.

In summary, we support the following statement in the 1961 annual VA report as to the enormous importance of its medical research programs to the future of our Nation:

"The present and future health of this Nation, and of the world, depends upon the accomplishments in medical research. Notwithstanding the extraordinary progress made during the immediate past decades, there remain many serious problems to be solved. The growing incidence of cardiovascular disease, cancer, degenerative disease, and psychiatric disorders are only a few of these. Medicine has a solemn obligation to attack these problems with its entire research resource. The whole of mankind, as well as the veteran patients, will benefit."

Citizen's request for selected increases in VA medical research for fiscal 1963

	Estimated fiscal year 1962 expenditure	Fiscal year 1963 citizens increase
Cancer	$2,750,000	$2,000,000
Heart disease	3,500,000	1,000,000
Mental illness	3,000,000	2,000,000
Aging	2,250,000	2,000,000
Tuberculosis	2,000,000	500,000
Neurology	1,112,000	1,000,000
Cooperative studies	1,225,000	2,000,000
Total cost of additional research in VA		10,500,000
Additional research laboratory facilities		3,000,000
Total increase requested		13,500,000
Fiscal 1962 appropriation		30,750,000
Fiscal 1963 President's budget		[1] 30,000,000
Fiscal 1963 citizens request		43,500,000

[1] President's budget for fiscal 1963 includes $3,000,000 for research laboratory construction; fiscal 1962 appropriation included $1,250,000 for research laboratory construction.

Senator ALLOTT. We will recess now to answer the quorum call.
(At this point a short recess was taken.)

STATEMENT OF DR. DOUGLAS TALBOT, AM RESEARCH FOUNDATION, OHIO STATE UNIVERSITY, DAYTON, OHIO

General Statement

Senator ALLOTT. The committee will be in order.
Are you Dr. Talbot?
Dr. TALBOT. I am Dr. Talbot, Mr. Chairman.
Mr. GORMAN. And he will testify on heart disease.
Senator ALLOTT. Do you have a written statement?
Dr. TALBOT. I do not, Mr. Chairman.
Senator ALLOTT. All right, you proceed in your own way.
Dr. TALBOT. I would first like to introduce myself, Mr. Chairman.

I am Dr. Talbot from Dayton, Ohio, a cardiac investigator who is pursuing research in cardiology or heart disease.

I am a director of the American Medical Research Foundation, which is carrying on an active research program at the Dayton American Veterans Hospital.

I am assistant clinical professor of medicine of Ohio State University, teaching at the Veterans' Administration hospital, and my background includes 3 years' training at the San Francisco veterans hospital.

When Mr. Gorman asked me to testify today I felt that I had a contribution to make to the testimony today it might be, perhaps, in a little bit of a different role than some of the other investigators who have testified before your committee.

You are going to hear in a moment Dr. Farber, who is certainly recognized as the world's authority on cancer, particularly in young children, and my role, however, is that of a young investigator, one who is perhaps hopefully on the way up, but representative, if I might take some liberties to speak not as an individual, but perhaps representing all of the young investigators throughout the country. who are doing investigative work that depends so much on the direction and the type of wisdom that we get from committees such as yours.

Role of Government in Research

I think, if I can digress for just a moment, that all of us who are young investigators, have looked with wonder and then with growing excitement at the role of Government in research, and particularly in medical research because I think under the direction now of Dr. Shannon, Dr. Luther Terry, and Mr. Boisfeuillet Jones, among the many others that certainly the National Institutes of Health are recognized to be the outstanding medical research facilities in the United States.

And I think it is through the advice and the labors of the Members of Congress that this has come about, and it is certainly an exciting thing for us, who are representative of the young investigators to see this.

I think the support that has gone into the NIH, the support that is given to the investigators all over the country—and one thing that I do not think is generally known is that advice can be gotten from the NIH at any time—I think this is very pertinent to our testimony today because we see the Veterans' Administration coming along with

young, but equally growing, types of research programs, and those which I think are exciting to all of us who are doing research in the cardiovascular field.

VA FIELD OF STUDY UNIQUE

I think that the Veterans' Administration has something to offer that is unique in medical research particularly in my field in coronary heart disease research that complements and supplements the research that is being done by this NIH, but is unique to the Veterans' Administration.

For example, in my town we have 6,000 domiciliary Veterans' Administration patients who live all year round at this station in a 350-bed veterans' hospital.

And the ability to do long-term followup of these patients particularly in these cooperative studies, is something that cannot be done any place else in the United States or any place else in the country that I know of.

The excellent personnel and the scientific people, the management on a large-scale basis, I think all are important aspects which make research in a Veterans' Administration structure extremely important.

SPECIFIC PROGRAMS

We do have some specific programs going on in the Veterans' Administration that I think are worthy of attention. There are many in the coronary heart disease and cardiovascular disease. There are 2,000 coronary followups since 1942 to 1943, and that is very important. We do not know the cause of coronary heart disease.

We do not know the cure for coronary heart disease, and it is only by putting together the multiple factors and studying them closely and, if you will, getting rid of as many variables as we can, in eliminating them, that we are going to make real progress into this disease, and the only place that this can be done is in a Veterans' Administration hospital.

We have 48 hospitals in the Veterans' Administration structure at the present time which are not qualified and designated as cardiovascular surgical hospitals where the surgical techniques for studying coronary heart disease and congenital heart disease, and heart disease caused by trauma, can be studied.

COMPUTER STUDY OF CARDIOGRAMS

There is a fascinating program going on that has originated here in Washington with the Veterans' Administration where computers are being used to study the electrocardiogram and often the fine techniques of electrocardiography which cannot be detected by the human eye, can be depicted on a mass scale by the computer.

In these cooperative studies, with many hospitals participating, in these 11, 12, 15, 20 veterans' hospitals all operating together to study the influence of blood thinners as a treatment and as a preventive of secondary coronaries, or cholesterol-lowering-agents of disease, of blood pressure, of weights, and all of these things are giving us outstanding clues toward an eventual breakthrough in the problems of heart disease and coronary heart disease.

VA INVESTIGATORS OUTSTANDING

I think we should also point out that the Veterans' Administration has many outstanding investigators in their own rights, but unless we are prepared to support these investigators even though the material is there, and they cannot get the equipment, the facility, and the help needed, they are going to be lost because an investigator has to continue to grow and he must grow by virtue of the support and by virtue of the facilities that he has had.

I do want to point out that it only takes a brief period of time to scan and to study these cooperative studies that are going on by the Veterans' Administration to realize that they are beautifully managed and coordinated at headquarters.

Now this is something that has not been done on cooperative studies that have been done outside the Veterans' Administration in some cases, and I think the Veterans' Administration is certainly to be commended on this, because I think there are many secrets to medical disease, and most of them lie in these repeated long-term operations.

I think the thing is, perhaps, tritely used sometimes, but nobody is lucky to find a medical discovery. That is simply a residue of very careful planning and many careful observations.

I think these are the specifics in part of these coronary heart disease projects the Veterans' Administration is carrying on.

REASONS FOR SUPPORTING VA RESEARCH

I think, in concept, that it is important that the Veterans' Administration research be supported because, No. 1, I think that we want to increase the number of topnotch investigators; No. 2, we want to continue the progress that we are making, and it does disturb me to see the research program dropping to 4 percent of your total budget; No. 3, research is bound to give better care to your Veterans' Administration patients. This is true all over the country and in all types of research that we get into.

And I think that the ability of the Veterans' Administration to demonstrate, by the methods and the standards, that the Veterans' Administration is capable of an intelligent, frugal, and productive manipulation in management and research, it is important, because I think it is pointing the way to something that is very important in research concepts, and that is that the Government is going to point the way, one of these days, in my mind, where industry, big cooperative industries, are going to begin to take a support at a financial level of supporting research in the same manner that the Government does now.

SELECTING ASTRONAUTS

I do feel that, and this is one last point that I would like to make, and I think that this is probably particularly pertinent to Senator Monroney, but I was the civilian consultant for the picking of the seven astronauts when I was with the Aerial Space Medical Center, with the Air Force.

We were given 110 astronauts.

We picked and selected about 35, and we picked the 7, along with NASA, after they had passed through the Albuquerque levels clinic.

I have never had any regrets or any feelings that our pick of these astronauts needed apologies to anybody.

I think that we have the finest group of astronauts that anybody could have. I think it is particularly pertinent now to point out that I think that rockets, I think that spaceships, I think the harnessing of nature's forces, are wonderous to behold, but I think the ultimate research is still the human research factor.

I think that this emphasis on human research factor, and this being the integral part of our concentrated effort, is something that is going to lead us to victory and to leadership eventually, and the moment, such as at present time, does not make this much difference.

In closing, I want to tell you that I am deeply appreciative of the opportunity to testify, Mr. Chairman, before this committee, but I think, equally enthusiastic, to convey to you and to Senator Monroney, and Senator Magnuson as the representative of a large group of young investigators that we recognize the leadership in the direction that people such as yourselves in this committee is giving in providing to our total medical research effort, and we not only want to tell you that we sincerely and honestly appreciate it, but we sincerely and honestly applaud it also.

Senator MAGNUSON. I have no questions.

Senator ALLOTT. Do you have any questions, Senator?

RESEARCH KNOWLEDGE SENT TO NIH

Senator MONRONEY. One thing: This network of research information on heart disease and the many varied and important fields that you are in in the Veterans' Administration program, is funneled into NIH, is it not, so that there is not a gap between or a competing situation where the full value of each will be lost?

Dr. TALBOT. No, sir; there certainly is not.

It is funneled directly into the NIH, actually, through two directions.

One is that there is a specific information bureau where all research efforts are currently fed into a central office, and this can be immediately determined by any investigator.

I can go down tomorrow and find out the blood cholesterol levels in dogs being done in any veterans hospital in Washington or any other hospital.

And, secondly, I think the Veterans' Administration has wisely made use of their research personnel in integrating them with many of the NIH in committees so that there is a constant flow on the national level, with the national health organizations, with the NIT and with the Veterans' Administration, where all three of them are integrated and constantly in contact with each other.

So there is no lag, there is no interruption of flow, and I think, even more important, there is a lack of duplication and a preventive of duplication——

Senator MAGNUSON. Excuse me, but there are several joint projects——

Dr. TALBOT. Absolutely, sir.

Senator MAGNUSON (continuing). Going on?

Dr. TALBOT. Right.

Senator MAGNUSON. And sometimes there are even three parts. There is the university, the NIH, and the veterans?

Dr. TALBOT. And the American Heart or American Cancer.

JOINT PROJECTS

Senator MAGNUSON. They work together on joint projects?

Dr. TALBOT. Absolutely. We have many joint projects going on at the present time.

Senator MONRONEY. In other words, they are collectively cooperative instead of competitive?

Dr. TALBOT. There is no competition—there is always competition at an investigative level, but it is a healthy one, and not one in the sense that you are talking about.

Senator MONRONEY. Yes, not in the sense as they make small breakthroughs, but then this goes into the communications network?

Dr. TALBOT. This is passed on to the next investigator be he at American Cancer, American Heart, or NIH.

It is certainly not held within the Veterans' Administration structure itself.

Senator MONRONEY. As a matter of fact, is not the work that you are doing in these fields closely controlled as to ages, diets, and so forth, and it is possible in the contract work NIH makes with other hospitals for some similar types of research.

Dr. TALBOT. This is true, and this long-term cooperative study cannot be done any place else in the country.

It cannot be done by a university, NIH, or any other place. This is only possible through these closely controlled Veterans' Administration programs.

This is why I think it is terribly important that we express our enthusiasm for this at, at least, the young investigator level.

Senator MONRONEY. I have nothing further.

Senator MAGNUSON. I have nothing further.

Senator ALLOTT. I have no questions. We will have to recess.

(A short recess.)

STATEMENT OF DR. SIDNEY FARBER, HARVARD MEDICAL SCHOOL AND CHILDREN'S CANCER FOUNDATION, BOSTON, MASS.

GENERAL STATEMENT

Senator ALLOTT. The committee will come to order.

Dr. Farber, will you proceed, and you do not have a written statement?

Dr. FARBER. No.

Senator ALLOTT. We will hear you.

Senator MAGNUSON. I shanghaied the expert down here.

Mr. GORMAN. We testify before all experts.

Dr. FARBER. Mr. Chairman and members of the committee, it is a privilege once more to appear before this committee.

INCREASE FOR VA RESEARCH

May I speak in strong support of the recommendations made by the citizens' group, as given by Mr. Gorman and Dr. Talbot, both for the increase in medical research funds for the Veterans' Admin-

istration to the level of $43.5 million, which includes $6 million of very badly needed money for construction of new research facilities?

Without these new facilities I believe it will be literally impossible to expect the kind of progress that we ought to have in the medical research programs in the Veterans' Administration, and it will be impossible to keep or to attract the badly needed research personnel in the Veterans' Administration hospital programs.

STUDY OPPORTUNITIES AT VA HOSPITALS

This is a unique situation. Since the Veterans' Administration hospitals have more than 10 percent of the total beds in hospitals in this country, and they have 4 percent of the total number of doctors in their activities, there is nothing comparable to the setup anywhere in the medical world.

There are so many patients under such excellent supervision in hospitals which are so beautifully equipped for the purpose, as they should be.

As Senator Magnuson mentioned, the increase in the cost of the Veterans' Administration hospitals is to more than $1 billion, and there is no one, I am sure, who would quarrel about a penny of that.

This is money well spent. But the only hope of reducing this amount of money in the future is to have more medical research everywhere, wherever it can be done, and the Veterans' Administration hospitals must do their share.

And they must do their share and they want to, for two reasons. It is well known that only in an environment of research and teaching can the best possible medical care be given, and it is also clear that the veterans who enjoy this splendid medical care in such an atmosphere should have the opportunity to contribute by their very presence and by their care to the welfare peoples everywhere, particularly people in this country.

This can be done only if there is not only a clinical research program but also well placed, well chosen basic research programs.

At the present time there is basic research in the laboratories going on, and this must be increased greatly if the clinical investigations are to have maximum effects and give us the kind of effects that are badly needed.

CANCER PROGRAM

I am going to speak particularly, and very briefly, about the cancer program, although I speak in strong support of the entire veterans research program which I followed with great interest and great detail during the last number of years.

This is a particularly happy year, as members of this committee realize, in the field of cancer because this is the silver jubilee year, the 25th anniversary of the founding of the National Institute, which the members of this committee had so much to do with.

This celebration is still going on and still continuing, but the year has been officially marked by the Congress, and it is during this year that we are able to make a very serious reassessment of the truly vast amount of progress which has been made in the last 25 years.

The previous witness, Dr. Talbot, spoke as a young man, a young investigator, representing the young investigators of the country.

I speak as an older man. I will not say how much older, but one of the older investigators, but I do want to say this——

CHAIRMAN AUTHOR OF BILL

Senator MAGNUSON. I have to interrupt you, but when you mentioned the 25 years of cancer it put me in your class, because they gave me a plaque, after 25 years, as the author of the bill.

Dr. FARBER. I was leading up to this, Senator Magnuson.

You were the author of the bill, and this bill was sponsored, if I remember, by the entire Senate——

Senator MAGNUSON. The Senate, yes. I was in the House.

Dr. FARBER. This was a remarkable demonstration of the wisdom of the Senate in looking ahead.

If the Senate had had the opportunity to carry out this move 10 years earlier than it did, when I was just beginning my research and academic career, I might say that these funds given through the Congress to the National Institutes, if they had been available, my children would be 10 years older than they are because investigators at that time were paid such meager salaries that those who chose the life of research and the care of patients and teaching were unable to carry along the normal plan of family life.

Senator MAGNUSON. They not only would be 10 years older but they probably would be living 10 years longer.

Dr. FARBER. I would agree with that addition, Senator.

Senator ALLOTT. But there is also another side of this.

They had an opportunity to live through 10 very interesting years that they would not have had an opportunity to live through otherwise.

Dr. FARBER. There is a good side to this also.

CONGRESSIONAL APPROPRIATIONS REVOLUTIONIZED RESEARCH

I just wanted to emphasize the point that the appropriations through the Congress for medical research have revolutionized medical research have revolutionized medical research in private institutions, and in Government institutions as well, and now in the Veterans' Administration hospitals, and this has been a wonderful period to look back on, and it is going to be more wonderful to look ahead to as the great progress of medical research is literally catapulting because the contributions which have been made from so many institutions with the aid of Government funds and with the aid of private funds.

In the case of the Veterans' Administration's cancer program, as Mr. Gorman pointed out, the average age of the hospitalized veteran is 51.

We are now entering the period of life when cancer is of much more concern and becomes of much more concern every day, and so the rule of the Veteran's Administration in cancer care and prevention and research is going to be more important than ever before.

FIVE DIRECTIONS OF RESEARCH

There are five great directions of research which are sponsored by the National Cancer Institute program and by private institutions of the country which are represented also in the Veterans' Administration hospitals.

They have programs in 22 hospitals for the development of surgical techniques for the better removal of cancer and the more effective removal of tumors which formerly could not be removed by surgical techniques.

They have one program of research which is very promising in the field of development of a diagnostic test for cancer.

The one great hope we have now is that if such a test were made available to us today, with the knowledge that we have before us in surgery and X-ray, radiotherapy, and chemotherapy, we could save many more lives than we are able to do today by getting these patients earlier.

And I am happy that the Veterans' Administration research program has such a research program underway.

There is another area of cancer research of great importance in the field of hemonology.

DALLAS VA PROGRAMS

Great progress has been made in a program of very considerable promise in the Dallas Veterans' Administration Hospital, where studies are being made on the reactions of the patients to materials of the patients' tumors.

And it is hoped that this kind of knowledge, which is given great attention in the National Cancer Institute program, might lead to the successful vaccination of patients, or human beings, against cancer, and I am glad that here, too, the Veterans' Administration research program is big enough to attract men of such caliber as to carry on this kind of very basic and important work.

There is a fourth area of great importance in cancer research, and that is concerned with the causation of cancer and with particular reference to the relationship of filterable viruses to cancer.

BRONX HOSPITAL RESEARCH

We point out that in the Bronx Veterans' Hospital there is very distinguished investigation supported by the findings of Dr. Gross, who is the first to show that a virus was the cause of leukemia in mice, and out of this work has come a great inspiration under the leadership of Dr. Winifred Stanley, of the University of California, a Nobel Prize winner, with the help of the NIH appropriation for the Cancer Institute and the funds which came originally through the Senate recommendation.

There has been a tremendous increase in virus research throughout the country. This is one of the most promising fields of all, and I am happy that here the Veterans' Administration research program has a representative who is regarded so much a leader in the field that he was awarded recently one of the six World Health Organization $10,000 prizes for his work.

I think we are all proud of him and of the importance of the work for which he is responsible.

Senator MAGNUSON. And may I suggest this has been a recent trend——

Dr. FARBER. Yes, sir.

Senator MAGNUSON. A recent discovery?

Dr. FARBER. Yes.

Senator MAGNUSON. And may I also suggest that, without us putting money into this research program of the Veterans' Administration, this may not have proceeded so fast?

Dr. FARBER. I would say that the Veterans' Administration has offered Dr. Gross an unparalleled opportunity to carry out this research and to develop it as beautifully as he did.

CHEMOTHERAPY STUDIES

And, finally, there is a field of chemotherapy of cancer, the use of chemicals in the treatment of cancer.

This is one of the areas to which Senator Monroney addressed his question earlier of cooperation between the veterans' hospitals research program and the National Institutes of Health.

This cooperation is so close that the 22 hospital research programs with the veterans in the field of cancer chemotherapy, is a part of the cancer chemotherapy service center of the National Institute.

They work as an integral part of the greatest and largest cooperative research program in medicine in the history of our country.

On two occasions within the past year I had the opportunity to evaluate this veterans' portion of the cancer chemotherapy national program. Last November in Washington we had an inspiring 2 days where investigators, more than a thousand of them, from all over the country, from the universities, the private hospitals, the Government hospitals, and the Veterans' Administration, presented their findings and their research before a group of doctors who were experts in this field.

And I might say that the Veterans' Administration group not only held their own, but they came through with great distinction.

And just 2 months ago I attended a 2-day session of the western Veterans' Administration hopital in Reno, where the investigators and the veterans group presented their findings and once again I came away with admiration for the way that this was done and a feeling of, well, a heartwarming feeling that this work was done on a very high scale and was contributing mightily to the development of our knowledge and medical progress in this very important field of cancer control and cancer treatment.

In conclusion, Mr. Chairman, and gentlemen, I am happy to endorse what has been said by the citizen witnesses and to express the hope that the congressional action will result in speeding up the splendid progress that has already been made by investigators who have demonstrated that they have the knowledge and the ability to carry out research of the finest kind in American medicine today.

Senator ALLOTT. Thank you, Doctor.

Any questions?

Senator MAGNUSON. No, sir; I have no questions.

Senator HILL. No questions except to say this, Mr. Chairman, I have met Dr. Farber many times and he always makes a very fine and most impressive and challenging statement, as he has done here today.

Senator ALLOTT. I would like to ask you a question, Doctor.

PROGRESS IN CHEMOTHERAPY

Would you, for the enlightenment of those of us who are less skilled, give us some concept of the advances that have been made in the field of chemotherapy in cancer?

Dr. FARBER. The field of chemotherapy began in the modern phase just 15 years ago, but preceded a few years before the discovery of Dr. Charles Hogan, of the University of Chicago, that a female sex hormone, given to men with cancer of the prostate, could control for a period of months to years the spread of the disease.

This was an extremely important discovery. This field moved along very slowly until the congressional committees, those under our distinguished Senator Lister Hill, and Mr. Fogarty in the House, gave great support to the rapid development of knowledge concerning the synthesis or making of chemical compounds, the discovery of their mechanism of action, their mass screening, and finally their application to human beings, so that cancer, which no longer could be cured by the applications of surgery or radiotherapy, were treated.

More than 150,000 chemical compounds—the number is nearer 2,000 at the present time—have been studied through this cancer chemotherapy program supported by congressional action.

There are at least 30 chemical compounds today which are in active use by research groups or practitioners in treatment of patients with cancer which is spread beyond surgery.

There are a number of forms of cancer which can be controlled for periods of months to years, and by "control" I mean in such way that the patient is restored to a good life and an active life, back to his work.

Patients with cancer of the intestine, which spread to the liver, can be helped in different clinics, in different groups, and from 10 to 30 percent in some cases and up to 50 percent of the cases even after there has been spread of a tumor, by the use of chemicals alone can be helped.

Patients with cancer of the lung are now given a great deal of temporary support and prolongation of life by the use of chemicals with radiotherapy.

CURES IN THREE FORMS OF CANCER

There are three forms of cancer which were incurable just a few years ago where we can speak of actual cures now being obtained.

A "cure" I will define as excellent health with no evidence of tumor for at least 5 years, and we will put the word "cure" in quotation marks.

Let us say, increased survival, in perfect health or in excellent health, with no evidence of tumor for more than 5 years.

One of these is the infrequent or less frequent form of cancer of the uterus in women, the carrier carcinoma which is treated by the means of a chemical which was first used for the control of leukemia in children, and the same chemical was discovered by the National Cancer Institute to control this form of cancer of the uterus even after the tumor had spread to the lungs.

There is a second form of cancer of the eye, retinoblastoma, which is found at the Columbia University Presbyterian Hospital to be controlled in more than 50 percent of the patients by the use of a chemical with small amounts of radiotherapy.

This tumor frequently involves both eyes, and it has been possible to save the sight in many of these children with this tumor.

And there is a third one, cancer of the kidney, which occurs most commonly in children and which spreads to the lungs and then, after

the lungs are involved in this spread, it has been possible to prolong life with no evidence of tumor for at least 5 years or further.

These are very heartening evidences of progress.

This marks the beginning of what we hope will be very much more rapid progress because the directions of this kind of research have been well demarcated.

This is one reason why we need every facility we have in the country, including the wonderful facilities in the Veterans' Administration hospitals.

Senator ALLOTT. Thank you very much, Doctor. I appreciate your answers.

Any further questions?

Senator HILL. Yes.

DETECTION IN EARLY STAGES

Doctor, would you not say that one of the most important things is to have the American people realize that if you can detect a cancer in the early stages that you have so much better a chance, a far greater chance, to save the patient from the cancer than if the cancer goes on and spreads?

Is that right?

Dr. FARBER. That is right.

If we had a good diagnostic test today instead of saving one out of every three patients of all kinds, we could save one out of two almost immediately with the knowledge that we have today.

And the next step would be the development of more chemicals and with that development we can, hopefully, one day destroy the cancer without the necessity for surgical removal of the tumor or the part in which the tumor resides.

This is the aim of cancer chemotherapy, and this is a goal I am certain will be achieved.

Senator HILL. Well, even with the detection that we have today, if more people would have an annual checkup or be checked more often or more frequently, would you not say that you would save a good many more people?

Dr. FARBER. I agree with you, Senator. There is no question that we would, and I would hope that the advice I give to all people over 35 is followed, and that is that every female should be examined every 6 months with the aid of the studies which are now retained, those studies with which you are so familiar, and the other part of the routine checkup.

And I would say that every man over 40 should have an examination at least every year and that a great many forms of cancer would be detected in the early and easily removable curable phase if this were done.

Senator HILL. And would you go one step further and say that what you have said about cancer would apply also to a great or less degree to other diseases?

Dr. FARBER. There is no question as to that with arterial sclerosis, heart disease, diabetes, kidney disease, and that is to the early recognition and correction of ulcers of the stomach, and so on.

Yes, there are many, many diseases which could be corrected or minimized over the systems, to be minimized and the effects minimized if there were regular physical examinations.

Senator ALLOTT. Thank you very much, Doctor, for your testimony.

Senator MAGNUSON. Thank you, Doctor.

Senator ALLOTT. The next witness is Mr. Jesse A. Mock, on behalf of the Friends Committee on National Legislation concerning civil defense.

FRIENDS COMMITTEE ON NATIONAL LEGISLATION

STATEMENT OF JESSE A. MOCK, REPRESENTATIVE, FRIENDS COMMITTEE ON NATIONAL LEGISLATION

GENERAL STATEMENT

Mr. MOCK. Thank you, Senator.

Senator ALLOTT. How do you wish to proceed?

Mr. MOCK. Well, if I may, I would like to give you some highlights from my statement.

Senator ALLOTT. All right, your statement will be included in the record in full, as if given, and you may proceed to highlight it then in your own way.

Mr. MOCK. All right.

I realize that you folks have been sitting quite a lot today and I will try to be as brief as I can, but I do want to make a few points.

Senator ALLOTT. Off the record.

(Discussion off the record.)

Senator ALLOTT. All right, go ahead.

Mr. MOCK. I am a resident of Hohokus, N.J., and by profession I am a senior editor of a weekly industrial magazine serving the electric utility industry.

I am clerk of the Ridgewood, N.J., monthly meeting of the Religious Society of Friends, and I have written one newspaper series and edited a pamphlet that I hope some of you have seen on "A National Shelter Program—Its Feasibility and Its Cost."

This statement is presented on behalf of the Friends Committee on National Legislation, as well as out of my own deep personal concern and conviction.

Senator ALLOTT. May I ask you a question there?

When you say that, do you mean that you or the views you present here are the views of the Friends Committee?

Mr. MOCK. They are, as near as we can make out. The staff has gone over these and——

Senator ALLOTT. But you appear here at their request and on their behalf?

Mr. MOCK. On their behalf.

Senator ALLOTT. Yes.

FUNCTION OF FRIENDS COMMITTEE

Mr. MOCK. And the Friends Committee on National Legislation is not an official spokesman of all of the members of the Religious Society of Friends, but is an independent organization reflecting the view of many concerned Friends.

A word of explanation there, is that Friends or members can speak only for themselves. Occasionally, one person does speak for a group.

It certainly saves your time and it makes it a little bit easier for us to do business in certain situations such as before congressional committees.

But I believe that I do speak for a broad number of Friends in presenting this statement.

STATEMENT ON CIVIL DEFENSE

Our committee approved a statement on civil defense earlier this year, and I will just quote that paragraph. The Committee approved the following statement:

> In our view, civil defense, with its emphasis on public and private shelters, drills, public education, and propaganda, tends to increase the possibility of war. In some people, it encourages a false sense of security. In others, it increases fear and distrust of an enemy by bringing war preparations into the community and implying an imminent attack. It makes possible ever-increasing military demands and controls. A massive public shelter program will probably initiate a new, dangerous, and costly phase in the arms race.

Now, Senator Allott, that is the views adopted by the Committee on National Legislation. The following is my backup to those views. We have noticed, as Senator Allott mentioned, in speaking to an earlier witness, that the Government is blowing hot and cold on this matter of civil defense.

Well, it blew hot last July and it blew hot through the appropriations last year. But, I think, in the past 7 years and again this year you will find that it is blowing cold.

Most of us Friends hope that it continues to blow cold on the civil defense preparations.

We think that this program, if it goes to its ultimate, can result in an expenditure of billions and possibly hundreds of billions of dollars.

BETTER EXPENDITURE OF FUNDS

We believe that there are many more humanitarian ways to spend the money that is being asked for civil defense. We would agree with the previous witness, who was speaking on an entirely different subject, that research on cancer is certainly one of the ways that the money could be better spent.

Personally, I would like to see it spent on the Peace Corps, on the disarmament agencies and other creative programs that would cut down the possibility of nuclear war and cut down the need for civil defense.

SUPPORT OF SHELTER PROGRAM

Assistant Secretary of Defense Pittman talked about growing support for the shelter program. I want to point out that the public opinion polls taken by some 29 Congressmen among their constituents, show differently. They show that on the average 67.3 percent of those polled oppose Federal fallout shelters.

The Office of Civil Defense told this committee just 2 weeks ago of a growing sentiment for shelters and told you that a survey that they had financed through the State University of Michigan, with the use of the Roper polling organization, bore this out.

But they have not seen fit to give publicity to one of the questions in the poll, and that question was: "What do you think the Government is doing that it should not be doing?"

Forty percent of the respondents said that the Government is spending and wasting too much money on civil defense; 24 percent said that there is too much Federal activity; 10 percent said the Government should quit promoting shelters, the program won't work; and there were 26 percent with miscellaneous answers.

This is the Roper poll, financed by the Office of Civil Defense.

I do not believe that that part of the questionnaire was emphasized in the hearing before you. That is certainly the report that I have.

I would like to offer that and some other material for your study, Senator, and you may use it for the record as you see fit.

Senator ALLOTT. All right. It will be included in the record at this point in your remarks.

(The report referred to follows:)

ELMO ROPER & ASSOCIATES POLL

1. One thing we are interested in is how people feel about the possibility of nuclear war in, say, the next 10 to 20 years. In your opinion, what are the chances that a war will occur in which some country will attack the United States with nuclear weapons during the 1960's or the 1970's. Do you believe we will be attacked or we won't be attacked?

	Percent
Will be attacked	26
Won't be attacked	52
Don't know	21
No reply	1

2. Let's suppose there is a nuclear war. Think for a moment about people who live far enough away to escape the bomb blast. If these people have fallout shelters, what do you think their chances are for escaping death or severe radiation sickness from fallout radiation? Do you think they have a very good chance of avoiding radiation sickness, some chance, very little chance, or no chance of avoiding radiation sickness or death?

	Percent
Very good chance	21
Some chance	36
Very little chance	25
No chance	10
Don't know	7
No reply	1

3. The President, the Secretary of Defense, and some prominent scientists have said that America should have fallout shelters because fallout shelters will save a significant number of lives in case this country is attacked. Some other prominent scientists have disagreed. These scientists say that we should not have a shelter program because shelters won't save a significant number of lives in case of nuclear attack. How do you feel about this? Do you believe that shelters will or will not save a significant number of lives if we have an attack?

	Percent
Will save a significant number of lives	51
Will not save a significant number of lives	40
Don't know	8
No reply	1

4. The Government is completing a survey of large buildings, subways, and the like. Enough corridors, inner rooms, basements, and so on have been found to protect over 50 million people against fallout radiation. Should or should not these protected areas, which already exist, be marked and provisioned for use in an emergency?

	Percent
Should be marked and provisioned	86
Should not be marked and provisioned	7
Don't know	6
No reply	1

5. Many existing buildings would provide more fallout shelter if minor changes such as bricking in basement window areas and addition of some ventilation equipment are made in them. Are you in favor or opposed to a program for changing these existing buildings to provide more shelter space?

	Percent
In favor of changing existing buildings	64
Opposed to changing existing buildings	22
Don't know	13
No reply	1

6. Are you in favor or opposed to a program for including fallout shelter space in the design of new, larger buildings?

	Percent
In favor	68
Opposed to	20
Don't know	10
No reply	2

7. The Government is proposing to help schools, colleges, and hospitals to meet the cost of making suitable rooms and basements in their buildings adequate as public fallout shelters. Are you in favor or opposed to this Government help?

	Percent
In favor	77
Opposed to	17
Don't know	5
No reply	1

8. (*a*) By surveying existing buildings and by financial assistance to schools, colleges, and hospitals, the Government is trying to stimulate a national effort to provide protection against fallout for everyone in the United States within 5 years. Do you think the Government should do more to provide protection in the event of an attack, do you think this is just about the right kind of program, or do you think the Government is doing too much in this area?

	Percent
Think the Government should do more	26
This is about the right kind of program	45
Think the Government is doing too much	14
Don't know	14
No reply	1

(*b*) What else do you think the Government should do? (Detailed responses to be provided.)

	Percent
Develop shelter program	40
Educational campaign	11
Miscellaneous suggestions	49

(*c*) What do you think the Government is doing that it should not be doing? (Detailed responses to be provided.)

	Percent
Spending and wasting too much money	40
Too much Federal activity	24
Government should quit promoting shelters, program won't work	10
Miscellaneous answers	26

[From the Washington Post, Aug. 2, 1962]

Letters to the editor

EVALUATING POLLS

Roscoe Drummond on July 9 asserts "that the American people overwhelmingly support a nationwide fallout-protection program." He further suggests that Congressmen who "remain heedless of this opinion" will be vulnerable to attack in the coming election campaigns. He bases these assertions on a recently released Michigan State University-Roper poll commissioned by the Department of Defense. Having examined this poll and its results, we feel that Mr. Drummond's conclusions simply are not warranted by the facts of the case.

In our opinion, many of the questions employed in the polls are technically deficient: they tend to direct the respondent's answer, they contain terms which are loosely defined, and they gloss over or neglect to mention fundamental aspects of the Federal shelter program.

A glaring example is that the person being interviewed was first told that "the President, the Secretary of Defense, and some prominent scientists have said that America should have fallout shelters" and then he was asked whether shelters would save a "significant" (undefined) number of lives. Faults of this nature in the construction of the questionnaire make any interpretation of the poll results extremely hazardous.

It is also difficult for us to understand why certain results of this poll have been singled out for public emphasis and "interpretation," while other findings have been completely ignored. For example, neither in the Drummond column nor in any other press reports to our knowledge was mention made of the poll's first question on the likelihood of nuclear war.

The answers to this question reveal that only 26 percent of the American people believe this Nation will be subjected to a nuclear attack within the next 10 to 20 years. If the majority of the people do not believe a war will occur, quite the opposite conclusion from Drummond's might well be drawn as to the political astuteness of supporting a costly fallout shelter program.

Congressmen or other who might wish to sense the pulse of the people through opinion polls would be better advised to evaluate the validity of these polls for themselves after examining them in their entirety, rather than relying upon a newspaper columnist's interpretation of press releases promoted by the Office of Civil Defense.

DAVID KRECH,
Professor of Psychology, University of California.
JACK BLOCK,
Professor of Psychology, University of California.

BERKELEY, CALIF.

LISTING OF 1962 CONGRESSIONAL POLLS WHICH ARE KNOWN TO CONTAIN A QUESTION ON CIVIL DEFENSE [1]

The constituents of the following Congressmen replied in the NEGATIVE, by the percentages indicated, to questions about support for Federal fallout shelters:

	Percent
1. Representative Walter Norblad, Oregon	87.0
2. Representative Thomas Pelly, Washington	73.6
3. Representative John R. Pillion, New York	71.0
4. Representative James G. O'Hara, Michigan	52.4
5. Representative Frances P. Bolton, Ohio	72.3
6. Representative Paul Findley, Illinois	65.1
7. Representative William H. Avery, Kansas	[2] 48.0
8. Representative E. Y. Berry, South Dakota	76.0
9. Representative Catherine May, Washington	71.0
10. Representative William E. Minshall, Ohio	69.4
11. Representative Robert Kastenmeier, Wisconsin	72.3
12. Representative Harold C. Ostertag, New York	58.3
13. Representative Jeffery Cohelan, California	68.6
14. Representative Herman T. Schneebeli, Pennsylvania	78.0
15. Representative Robert J. Corbett, Pennsylvania	76.7
16. Representative Marguerite S. Church, Illinois	67.3
17. Representative Delbert L. Latta, Ohio	86.5
18. Representative Frank C. Osmers, Jr., New Jersey	65.0
19. Representative Leonard Farbstein, New York	[2] 48.0
20. Senator J. Glenn Beall, Maryland	50.0
21. Representative Charles A. Mosher, Ohio	59.0
22. Representative Thor C. Tollefson, Washington	67.0
23. Representative John V. Lindsay, New York	77.9
24. Representative Henry S. Reuss, Wisconsin	57.0
25. Representative Edgar W. Hiestand, California	79.0
26. Representative Clem Miller, California	73.0
27. Representative W. R. Hull, Jr., Missouri	50.0
28. Representative Clark MacGregor, Minnesota	61.1
29. Representative John Brademas, Indiana	63.1
Median value	67.3

[1] Some 534 requests for polls were mailed to Members of Congress in mid-July. Of the 77 replies which had been received by July 25; 18 indicated no poll taken; 29 had no questions on shelters; 1 had a question on civil defense as contrasted to the balance of the polls received which asked questions about the shelter program itself.
[2] 36 percent in favor.

ROBERT J. WALKER,
BERKELEY, CALIF.

Senator ALLOTT. Well, Mr. Mock, I am afraid we are going to have to interrupt you and go upstairs and vote.

Mr. MOCK. I can understand that, Senator.

Senator ALLOTT. We will recess for a few moments, sir.

Mr. MOCK. All right.

(A short recess was taken.)

Senator ALLOTT. All right, Mr. Mock, you may proceed.

Mr. MOCK. Senator, I would like to get down to one or two specific things.

NEAR WARNING SYSTEM

One is on this first item in your budget request, which is the national emergency alarm repeater (NEAR) warning system.

Senator ALLOTT. Yes?

Mr. MOCK. And that is for $25 million to put in test installations this year.

Now, the NEAR warning system, it seems to me, requires a little bit more investigation on the part of the Legislature, both the House and the Senate, for this reason:

The Office of Civil Defense had said quite plainly in testimony that they would like to put in this system somewhere at between $600 million, and I think roughly $1 billion. They are not asking you for appropriations, but are using a back-door taxing method to put it in by my electrical bill and your electrical bill.

Now, I tell you, you can raise peoples' tax bills easier than you can their electrical bills, Senator, because of the withholding provisions.

When you get to fooling around with peoples' utility bills, and I watch this business very closely because I work in it, you get into some problems, and I know that there have been protests within the electrical utility businesses on the part of private companies, on the part of cooperatives, and on the part of municipalities, about some of the activity of civil defense officials in trying to foist this NEAR system on the utilities and to have the utilities put the cost in their monthly bills.

And I do believe that that is one area in which Senators and Congressmen might well talk to their utility people back home before voting on this particular $25 million appropriation.

Senator ALLOTT. Well, I do not think, as I view it, Mr. Mock, that this could probably be done or be done without legislation and, in some instances without State legislation.

Mr. MOCK. I'm not sure about Colorado but there are States where OCD has gone in and asked the utilities to take on this responsibility. And I——

Senator ALLOTT. You would have no objection to the utilities going in and doing it on a voluntary basis?

Mr. MOCK. Well, my objection is against the whole civil defense program. But I am trying to say that the NEAR program can be criticized on a variety of grounds.

I should also like to make a point as to the medical stockpile of the Health, Education, and Welfare Department for which $40 million has been requested. These funds would be used to provide the Department with another 750, 200-bed prefabricated hospitals and replace some $5.8 million worth of deteriorated medical supplies and equipment.

In light of the previous testimony on the need for veterans' facilities, in light of the need for medical facilities and medical instruments around the world, we feel it is wasteful to stockpile this hospital equipment and beds and put them in some basement or some warehouse to deteriorate.

We, friends, come to the Appropriations Committee from time to time to ask for funds for food to send abroad for other matters.

It is sort of a pleasure for me to be their spokesman, in asking you to improve the bill before you by reducing the item for civil defense by $65 million. This would leave $10 million for civil defense research for fiscal 1963.

I would certainly enjoy answering questions but those are the highlights of my statement.

Senator ALLOTT. Thank you very much.

Do you have any questions, Senator?

Senator MONRONEY. No questions.

MEDICAL STOCKPILE

Senator ALLOTT. Do I interpret your testimony to mean that you do not believe that there should be any medical stockpile?

Mr. MOCK. The impression that I want to leave, Senator, is that if there is a crying present need for these medical supplies, let's use it for the people we have rather than the people that might need them after a nuclear attack.

I think it has been testified to here today that there are needs for veterans' facilities and certainly, I know, of the need for medical provisions across the seas.

The Friends Service Committee has been working with the Algerians over the years, and they are certainly in need of medical supplies.

We would just like to see medical supplies used for present needs rather than deteriorating in stockpiles.

Senator ALLOTT. Thank you very much, Mr. Mock.

Mr. MOCK. Thank you very much, Senator.

Senator ALLOTT. We have six more witnesses, and the next witness is the Reverend Donald Snider, of the Church of the Brethren, who will testify on civil defense.

(The complete statement of Mr. Mock follows:)

STATEMENT OF JESSE A. MOCK, FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Gentlemen, it is a privilege to come before this distinguished panel to generally endorse H.R. 12711 as it applies to civil defense activities. I would suggest that the measure might be further improved by reducing the Department of Defense programs by $65 million. This would leave $10 million for civil defense research for fiscal 1963.

My name is Jesse A. Mock. I am a resident of Hohokus, N.J. By profession, I am a senior editor of a weekly industrial magazine serving the electric utility industry. I am clerk of the Ridgewood, N.J., monthly meeting of the Religious Society of Friends. I am coauthor of a newspaper series entitled, "Are Shelters the Answer?" which was carried earlier this year in the daily paper in my area. I am also editor of the pamphlet, "A National Shelter Program—Its Feasibility and Its Cost," which was written by nine professors from Columbia University, Amherst College, and Hofstra College.

This statement is present on behalf of the Friends Committee on National Legislation as well as out of my own deep personal concern and conviction. The Friends Committee on National Leigslation is not an official spokesman for all members of the Religious Society of Friends, but is an independent organization reflecting the views of many concerned Friends.

The Committee is deeply concerned for the protection of individual life, but believes that civil defense will not save humanity in a nuclear war. Our only real defense against nuclear attack is to abolish war itself.

At its annual meeting in Washington in January of this year, the general committee of our legislative group approved a statement on civil defense. A key paragraph of that statement follows:

"In our view, civil defense, with its emphasis on public and private shelters, drills, public education, and propaganda, tends to increase the possibility of war. In some people, it encourages a false sense of security. In others, it increases fear and distrust of an enemy by bringing war preparations into the community and implying an imminent attack. It makes possible ever-increasing military demands and controls. A massive public shelter program will probably initiate a new, dangerous, and costly phase in the arms race."

Gentlemen, the past year has seeen the rise and fall of the home shelter craze. The administration, itself, has seen fit to deemphasize the home fallout shelter in favor of a modified community, or public, fallout shelter. Most of the obvious weaknesses of the home shelter program are apparent in the public shelter program. For instance, there is the same lack of protection against fire and blast effects of nuclear weapons; a more complex question of who shall enter and who shall be kept out of the public shelters; broader opportunities for misuse of

funds; and the distinct possibility that the presently proposed program could escalate into billions and even hundreds of billions of dollars.

Once these weaknesses are realized by the American public, I am inclined to believe that the community shelter program will fade away, just as the home fallout shelter program has. I realize that Secretary Pittman has told this committee that there is a great deal of "latent support" for shelters and that this support has been demonstrated by the findings of a recent Roper poll. But the validity of this poll has been challenged by at least two professors of psychology, David Krech and Jack Block, of the University of California. I personally believe that the congressional polls and the House cuts in the civil defense budget reflect a more realistic appraisal of public sentiment than the Roper poll.

But because the shelter-subsidy proposals are still pending before the Armed Services Committees, I will limit my testimony to a few of the key items covered by the $235 million appropriation which President Kennedy is still requesting for the Office of Civil Defense for fiscal 1963 and to the $40 million request for the HEW medical stockpile.

In evaluating these requests, however, we must always keep in mind that most of them are closely tied to the concept of a nationwide shelter system. If the American people are as opposed to shelters as I believe they are, the remainder of the civil defense program becomes largely meaningless. For as Secretary Pittman told your colleagues in the House last March:

"If we are not going to have a shelter system eventually * * * we don't need a significant civil defense program" (p. 45, House hearings, independent offices appropriations).

CONCLUSIONS

A study of the civil defense requests, when combined with other studies and observations I have made in this field, leads me to the following conclusions:

1. The warning system proposed is of questionable value, has already been mishandled, and is capable of causing severe political repercussions. By OCD's own estimates, it would cost the American public from $600 to $850 million if installed. Testimony by Defense Secretary McNamara raises a grave question as to whether it would function at all in an emergency situation.

2. The present stockpiling of radiological instruments could become a source of embarrassment to our Government just as the present stockpiling of lead, zinc, nickel, and agricultural commodities.

3. Allocations of OCD funds to States have been misused in the past according the GAO reports. There is no guarantee that they would be appropriately used in the future.

4. Management, administrative, and personnel costs appear unusually high.

5. The shelter-stocking program, according to the latest public information, still must develop water containers that will not leak. It will also depend upon State and local distribution of huge stocks of supplies, and there has been no public disclosure thus far that these bodies are ready to accept this responsibility.

As briefly as I can, let me offer you some of the background for these conclusions and relate them to the specific funds requested.

COMMENTS ON SPECIFIC REQUESTS

NEAR warning system ($25 million requested)

The national emergency alarm repeater (NEAR) system utilizes the electric powerlines of the Nation to send signals to every individual home, office, and plant in the country. A small "black" box, plugged into a convenient outlet, would emit a loud buzzerlike signal that would awaken all but the soundest sleeper. This would be the signal to turn your radio to the conelrad frequencies for information and orders.

I hold that the NEAR system is of questionable value because—

(1) Very fundamentally, there have been no studies which show conclusively that it would be more effective than the present system of siren warnings.

(2) There is, I believe, a serious technical question as to whether frequency disturbances on electrical systems might not actuate the warning devices to set up false alarms. One such situation, discovered last year, has already meant the scrapping of signal generator designs of the past and

the adopting of a new frequency. This has called for the modification of the receivers. The full implications of this discovery, which negates some years of testing, require further exploration to prevent much more costly errors in the future.

(3) There is a question as to whether the NEAR system will function effectively on underground systems such as the one found in New York and other large cities. I am not aware that any tests have been made on such systems.

(4) There appear to be very perplexing questions as to whether hydrogen bomb explosions in space may disrupt microwave and radar operations. To the extent that the NEAR system would in any way depend upon these systems, its operation would be jeopardized.

(5) In testimony before the House Government Operations Subcommittee last August 1, Defense Secretary McNamara said that a warning would come shortly before, "and I mean within a matter of minutes before the attack, or after the attack." This raises a grave question as to whether the NEAR system would be of any possible practical value. An attack that destroyed a part of the vulnerable powerline network would render the NEAR system ineffective.

Furthermore, I question whether the NEAR system application has been properly handled by present OCD officials. Last year they urged electric utilities—investor, public, and co-op—to take over the bulk cost of this system and charge it off in higher rates to their customers. This presents a novel scheme of back-door taxing which should be of rather keen concern to members of this committee and to Members of both Houses of Congress. There has been some backing away from this idea, but OCD officials appearing before the House Appropriations Subcommittee indicated they had not abandoned it altogether.

At present the approach appears to be to install the NEAR system on a few utility systems at Federal expense in an effort to set up some public clamor of discrimination from those citizens who are not so favored. If this works out, OCD will then be in a better position to urge other utilities to install NEAR devices (and pass the costs on to their customers) or to encourage Congress to appropriate funds for the NEAR system. Such an attempt to charge the NEAR system off on customers' electric bills could cause a public outcry more politically explosive than the home shelter program.

I urge you, therefore, to apply commonsense judgment to this funds request and to seek information on the NEAR system from competent persons outside the Office of Civil Defense.

Radiological instruments ($19.5 million requested)

Testimony before the House Appropriations Subcommittee on this particular request indicated that $10 million worth of these instruments are now deteriorating in Government warehouses (House hearings, p. 102).

I respectfully suggest that, as of early August, no evidence has been presented to Congress or to the public to indicate that there are persons trained to use the 96,000 items of radiological equipment that have been distributed among Federal agencies or the 379,972 items distributed to States before this year. Furthermore, I can find no evidence that there are persons sufficiently skilled to use the 246,000 items of radiological equipment which OCD claims it distributed during the first 6 months of this year. Certainly there is no evidence to show that there will be skilled persons to use the 1.5 million pieces of radiological equipment to be provided by the funds requested for fiscal 1963.

Though some of these instruments may appear simple to read and interpret, I believe scientists and technicians will tell you that considerable technical background is required to interpret these readings under emergency conditions.

I am suggesting here that we may already have more equipment than we have skilled technicians without any indication that the equipment and technicians are located near the same places.

I suggest that a study be made of the stockpiling already going on in radiological instruments, as compared with the availability of trained technicians. Otherwise we may have another stockpiling fiasco on our hands.

Training, technical assistance, public information ($20.9 million requested)

At this point it might be proper to quote again from Secretary Pittman's testimony to the House Appropriations Subcommittee: "The training and information money that we are asking for is, I think, a counterpart to the

shelter program * * *. This is all oriented around the training of the American population to use a system of shelters * * *. If we do not have a system of shelter * * * this would not make sense" (pp. 45, 127).

One aspect of training covered by this item relates at least indirectly to the adult training courses that have been offered during the past year in our New Jersey schools. I have read report after report that not enough citizens have indicated interest to make these courses worth while. Consequently, many of the courses were never given. Yet, when a group of nongovernment scientists offered a course on the effects of radiation, some 18 persons enrolled and most of them attended regularly. This might seem to imply that people have some question as to whether civil defense officials know the facts of radiation or are willing to divulge the information they have.

As to the public information item in this funds request, I offer these comments:

Testimony and public statements up until August 1 indicated that OCD had printed 35 million copies of the yellow pamphlet entitled "Fallout Protection—What To Know and Do About a Nuclear Attack." Now I know that at least five copies of that pamphlet found their way into my house. I have some reason to believe that huge stacks of the pamphlet may still be stored in post offices around the country. I ask this committee whether there are figures to show how widely it was distributed, how many of the 35 million are stored, and whether OCD has tried to appraise reader reaction to the pamphlet.

These seem to me to be minimum prerequisites before more funds are granted for the public information aspects of Federal civil defense.

Matching funds to States ($32 million requested)

My main comment on this item, "Matching funds to States," is that past Federal civil defense administrators appear to have had considerable difficulty in making sure these funds were effectively—or even legally—used. Of the roughly $100 million previously obligated to States and their subdivisions, a General Accounting Office report indicates that about 62 percent of these funds have gone "primarily for items which were not over and above the normal requirements of States and their political subdivisions." In other words, these Federal funds were being used for items the States should have purchased themselves, such as silverware for cafeterias, police radio systems, and helicopters. For my little borough of Ho-Ho-Kus, civil defense funds have been used to obtain firearms to help support a target range.

Management funds ($14.6 million) (administrative and personnel funds included in State matching funds referred to above, $18 million)

Altogether the management, administrative, and personnel funds requested total some $32.6 million, or roughly 15 percent of the total request of $235 million. When we consider that the shelter survey, most of the research, and some of the communications functions are contracted outside OCD, it would appear that we have a rather top-heavy overhead.

Shelter stocking program ($48 million requested)

As of early August, there had been no solid evidence that OCD had solved the rather fundamental problem of finding water containers that would not leak. Some assurances that this problem has been solved should be required before embarking on the $48 million phase of this program.

Another angle should be explored. So far as I have been able to discover, no assurances have been received from States and subdivisions that they will welcome or are equipped to undertake the sizable distribution and storing job which OCD intends to place upon them.

Medical stockpile, HEW ($40 million requested)

As of the end of March, the HEW medical stockpile of hospital beds and supplies was valued at $194 million. Funds requested for fiscal 1963 are to be used to provide HEW with another 750 200-bed prefabricated hospitals and replace some $5.8 million worth of deterioated medical supplies and equipment.

We find it difficult to justify a process whereby the Government piles up deteriorating stocks of unused medicines and hospital beds across the country, when many people in the United States and the underdeveloped areas need medical care. We wonder whether the United States has a right to spend $8.8 million a year in managing such a medical inventory.

In conclusion, I wish to say there are deep and serious moral reasons for holding civil defense expenditures to a minimum. Some of these reasons were suggested in the short paragraph from the Friends Committee on National Legislation policy statement. I would have liked to discuss one or two reasons with you. But in an effort to be most helpful and to conserve your time, I have dealt mainly with the fallacies and mechanical weaknesses of the proposed civil defense program that exist even in its present curtailed form. I am most grateful for your time and your interest.

OPPOSITION TO CIVIL DEFENSE

STATEMENT OF REV. DONALD SNIDER, ON BEHALF OF THE GENERAL BROTHERHOOD BOARD, CHURCH OF THE BRETHREN, ELGIN, ILL.

GENERAL STATEMENT

Senator ALLOTT. Your statement is not too long.

Reverend SNIDER. No; it should not take over 5 minutes to read it, but if you should like to have it——

Senator ALLOTT. All right, you may proceed.

Reverend SNIDER. Mr. Chairman and members of the committee, my name is Don Snider, from New Windsor, Md. I am appearing here on behalf and at the request of the General Brotherhood Board and have been so authorized by its appropriate officers. Our testimony is in opposition to the appropriation of funds for civil defense which is being studied by your committee. We oppose the total civil defense buildup and especially the increases which are being considered at this time.

The General Brotherhood Board of the Church of the Brethren at its meeting in November 1961 adopted a statement on the international situation which it commended to the members and congregations of the church for their study and action. This statement included a section on reservations concerning civil defense and fallout shelters, and a copy of the statement is attached to this testimony.

We would like to have this statement in the record.

Senator ALLOTT. It will be included as a part of the record.

(The statement referred to follows:)

[Reprinted from Gospel Messenger, Dec. 9, 1961]

STATEMENT ON THE INTERNATIONAL SITUATION

The following statement was adopted by the General Brotherhood Board at its meeting in November; it is commended to the members and congregations of the Church of the Brethren for their study and action.

In a time of steadily mounting world crisis the General Brotherhood Board has given prayerful consideration to several immediate vital concerns. We present our convictions to the members of our brotherhood for study and action.

1. We favor increased support of the United Nations as both a symbol and a method of achieving and maintaining peace in the world community.

2. We favor universal membership in the United Nations to provide a forum for the discussion of the issues which divide mankind.

3. We oppose the testing of nuclear weapons by any nation at any time at any place.

4. We express serious reservations concerning the civil defense program and advise our members not to build family fallout shelters.

OUR SENSE OF INVOLVEMENT AND URGENCY

A succession of interlocking events converge to make this hour potentially one of the most explosive in human history. Berlin and Vietnam, the Congo and Cuba, multiple megaton bombs and nuclear testing, civil defense and fallout shelters, the intransigence of the great powers, the rise of the new nations, and the plight of the United Nations vividly picture a world filled with fear, suspicion, hatred, and death. Moreover, a new fact of our time is that crisis anywhere immediately involves the rest of mankind. The whole world is one community.

We are inevitably related to these crucial events, whether we will it so or not. To sit idly by today is to support continued chaos and eventual total disaster. As Christians we are concerned about our world, both in terms of elemental human values for everyone and in terms of what God wants us to do in the world. As brethren we desire to do something creative, even heroic, to help "bring in the day of brotherhood and end the night of wrong."

INCREASED SUPPORT OF THE UNITED NATIONS

We believe the United Nations has a crucial role in the maintenance of peace in our world. We concur in the judgment of many critical observers who hold that major international disputes and on a few occasions even war has been prevented by the efforts of the United Nations. We are convinced that the United Nations needs to be strengthened and improved in order that it can become a more adequate instrument for the development, enforcement, and adjudication of international law. We believe that the United Nations continues to be mankind's best political instrument for achieving international order and peace.

UNIVERSAL MEMBERSHIP IN THE UNITED NATIONS

In order for the United Nations to be more effective, membership should eventually become universal. The admission of any nation into the United Nations does not imply moral approval of its policies, past, present, or future, but it does imply the ability of member nations to accept the full responsibility of membership. Such admission also facilities regular contact, negotiation, and responsible action whereby that nation can more easily join the other nations of the world in working out practical arrangements and agreements for living together in one world. No international disarmament or arms control and inspection system under United Nations supervision can be effective unless every nation possessing the power to produce or to deliver nuclear weapons is a party to such an agreement and a member of the United Nations.

OPPOSITION TO TESTING OF NUCLEAR WEAPONS

The Christian conscience cries out against the purpose and injurious effects of the testing of nuclear weapons by any nation at any time at any place. The major powers in the cold war already have enough nuclear weapons to annihilate most of mankind in an all-out nuclear war. We believe our Nation should give active leadership in bringing about an internationally enforceable agreement to ban all further nuclear weapons testing and to set an example herself by immediately discontinuing all such testing.

RESERVATIONS CONCERNING CIVIL DEFENSE AND FALLOUT SHELTERS

It is our judgment that there is no effective civil or military defense against all-out war today. The best defense is peace. The admitted power to "overkill" resides in atomic and hydrogen bombs, is reflected in bacteriological and chemical weaponry, and is projected in radiological and neutron devices. These developments together with their delivery systems are such that mankind can find security neither in war nor in civilian defense.

Present testimony from competent scientists differs widely as to how many American citizens could survive an all-out thermonuclear war with atomic and hydrogen bombs. Some say that with deep and skillfully constructed shelters as much as 90 percent of the U.S. population could survive. Others say that not more than a handful, if any, could survive. It is commonly agreed that persons who could survive an attack would emerge to a doubtful survival on an earth's surface largely destroyed, desolated, and radioactively contaminated.

The nuclear arms race presupposes ever larger thermonuclear weapons and thus an even smaller number of survivors from war's holocaust. It is our judgment that the fallout shelters program is but another aspect of war's impingement upon our total life. For these reasons—

(1) We cannot accept the validity of the "defense" aspect of our civil defense system.

(2) We doubt that there is major protective value in any nationwide program of building community fallout shelters.

(3) We advise our members not to build family fallout shelters.

Civil defense is rapidly becoming an integral part of our American way of life. It may soon involve every community, every institution, and every family in the Nation. It is both an ideology and a concrete program. It is both the result of fear and the cause of fear. It is the carrier of both negative and positive human values. It is staggering in the immensity of its scope and cost.

Civil defense, therefore, presents the church with a major challenge for objective study, prayerful consideration, and bold action. On the one hand, the church must witness boldly and persistently against every aspect of civil defense which in design or practice fosters fear, encourages hate, or increases war potential. On the other hand, the church must be ready to render creative service to all who suffer in disaster. The church, both nationally and locally, should establish policy and practices which reflect in integrity the church's concern in the area of civil defense.

OUR CHRISTIAN RESPONSE

These times of crisis are also days of opportunity for God's church and his people. We believe it is our witness to dedicate our efforts to prevent war rather than to the more negative task of trying to protect ourselves against the eventualities of war. Let us redouble our individual, congregational and brotherhood efforts in support of disarmament, the United Nations, assistance to underdeveloped areas of the world, disaster service, justice and freedom.

We reaffirm our faith in God's sovereignty. His word will be the last word; His way will triumph. This providential rule does not lead to resignation on man's part but calls for participation in His mighty acts. We are to be joint heirs with Him who came "not to condemn the world, but that the world might be saved through Him" (John 3:17). What we do in history has eternal significance beyond history. We face the future in faith, not in fear; in dedication, not in despair; in service to others, not in protection for ourselves. For whether we live or die, we belong to Christ.

For further study on civil defense fallout shelters, and disaster services:

Statement of the Church of the Brethren on Civil Defense, (free). Adopted by the General Brotherhood Board, March 1957.

Statement of the Church of the Brethren on War, (free). Adopted by Annual Conference, 1957.

Disaster and Brethren Response, by W. Ray Kyle, (free). Reprint from January 1960 Church of the Brethren Leader.

Civl Defense: Shelters or Tombs (15 cents), October 1961. Friends Committee on Legislation, 245 2d Street NE., Washington, D.C.

Neither Run nor Hide—The Case Against Civil Defense, by Alfred Hassler, (20 cents), Fellowship Magazine, May 1961, Box 271, Nyack, N.Y.

New Civil Defense Program—Ninth Report by the Committee on Government Operations, September 12, 1961, U.S. Government Printing Office, Washington, D.C.

NOTE.—Unless otherwise indicated, materials may be obtained from the Church of the Brethren general offices, Elgin, Ill.

REASONS FOR OPPOSITION

Reverend SNIDER. Our opposition to the civil defense buildup is based on the following:

1. Civil defense activity develops a false sense of security and fosters the idea of the inevitability of nuclear war.

2. It increases fear, suspicion, hatred, and unrest in local communities.

3. Its effect upon other nations of the world will further dissipate any good will our Nation now has among those whose friendship we cherish and among those whose friendship we need.

4. The proposed program will lead to Government encroachment into the lives of its citizens.

5. We believe our Nation should support and participate in actions which will make war less likely.

6. We believe our Nation should use its resources in more constructive ways.

A FALSE SECURITY

While there are differences of opinion on the effectiveness of civil defense programs, after considerable study the General Brotherhood Board of the Church of the Brethren included in its statement on the international situation the following:

It is our judgment that there is no effective civil or military defense against all-out war today. The best defense is peace.

We believe that the propaganda accompanying the present fallout shelter program is dangerously deceptive. It fails to present realistically the likely nature of war in the nuclear-missile age, the chances of survival in terms of radiation, blast and fire, in terms of frantic people threatening to shoot neighbors at the shelter door; and in terms of future attacks even if a viable society survives the first attack. The overall shelter program seems to support the total war strategy and leaves out of consideration the principles of good will and brotherhood, making it unacceptable to the Church of the Brethren which believes the use of threat and violence leads not to peace but to war.

ITS EFFECT UPON THE AMERICAN PUBLIC

An expanding shelter program in local communities increases fear, suspicion, hatred, and unrest. Under such an emotional climate, sane judgment is more and more difficult. The foundations of the home, the school, and the Nation are weakened. No person or society can fulfill its highest possibilities under such conditions. The strength of the Nation is reduced, and democracy and freedom may be lost in such a climate.

ITS EFFECT UPON OTHER NATIONS OF THE WORLD

It is difficult for those of us who are Americans to understand why Europeans, Africans, and Asians do not regard our intentions in international affairs as strictly honorable and peaceful. Having lived in Europe in conquered Germany for 3 years I can bear witness to the fact that our action as a Nation looks quite different when viewed from another perspective. The building up of a vast shelter system will mean to the peoples of the world that we anticipate war and not peace, and all too many of them will be willing to conclude that we not only plan to participate in all-out war but are willing to be the aggressor. Unforuntately, there are statements of supposedly responsible people to which they can point to support their fears. This we, as a church, deplore.

ITS EFFECT UPON OUR OWN GOVERNMENT

In order for communities to use shelters, the people must be trained and prepared for the experience of living in cramped quarters with hundreds of others. Will such a shelter program require a garrison state? As peoples submit to the impingements of war upon their total lives, they are more susceptible to being used as pawns by the government. Docile and complacent people frequently cause their governments to move in directions which are detrimental both to the governments and to their peoples.

SUPPORT ACTIONS TO MAKE WAR LESS LIKELY

We believe it is the responsibility of our Nation to support and participate in actions which will make war less likely, An expanded shelter program increases the danger of war, in our opinion. It is still possible for man to choose whether war will come. It is more important to work against the coming of such destruction than to prepare for shelters in a futile attempt to save ourselves in a war in which millions would be destroyed.

MORE CONSTRUCTIVE USES FOR OUR RESOURCES

We would urge our Government to expend more funds for causes of human betterment in our own country and in other countries through the United Nations, the Peace Corps, the Arms Control and Disarmament Agency, and other avenues for the prevention of war. The Arms Control and Disarmament Agency especially should be given the assistance necessary to do its work properly.

In closing, we would like to mention one more concern. There is considerable discussion in civil defense circles in local communities regarding structural changes in our churches to make them appropriate fallout shelters. Churches have always been available to meet the needs of people in the community and especially in times of disaster and tragedy. We are sure that they will always be available to meet human needs in such an hour regardless of when or where the need may arise. On the other hand, we feel it is entirely out of place to turn churches into fallout shelters. Churches should be places of prayer for all peoples.

The only security for us and the rest of mankind is peace. Our faith in the future impels us to encourage our Government to support those activities which will accomplish the kind of peace with justice and freedom which the world has not yet known. It is true of nations as well as of individuals that—

Whosoever will save his life will lose it but whosoever will lose his life for My sake the same shall save it.—Luke 9 : 24.

Thank you.

Senator ALLOTT. Thank you.

Do you have any questions, Senator?

Senator MONRONEY. No.

Senator ALLOTT. I want to thank you very much, Reverend Mr. Snider, for a very concise statement which, I am sure, represents the views of your church, and while some of your views, as you know, are not in conformity with some of mine, I have a great respect for them,

and I certainly am very happy to have you express your views in this area.

Reverend Mr. SNIDER. Thank you for your time, Mr. Chairman.

Senator ALLOTT. The next two witnesses are Mr. Kornet and Mr. Herb, of Pharmachem Corp., Bethlehem, Pa., and they will testify on civil defense.

PHARMACHEM CORP., BETHLEHEM, PA.

STATEMENT OF J. L. KORNET, PRESIDENT, ACCOMPANIED BY J. R. HERB

GENERAL STATEMENT

Senator ALLOTT. You have quite a lengthy statement here.

Mr. KORNET. No, sir, I really do not plan to read the whole thing.

Senator ALLOTT. All right, sir. The whole statement will be included in the record and you can highlight it, if you will, Mr. Kornet.

Mr. KORNET. Yes, I will. I would like to say this off the record, though.

Senator ALLOTT. Off the record.

(Discussion off the record.)

Mr. KORNET. Mr. Chairman, I appreciate this opportunity to appear before you and your distinguished colleagues to present my views on the need for funds for civil defense emergency hospitals.

MANUFACTURE OF PLASMA EXPANDER

My firm, Pharmachem Corp. of Bethlehem, Pa., is a small business operation in a distressed economic area. It is the only firm in the United States that manufactures dextran substance for use in making dextran injection, a plasma volume expander.

EMERGENCY CD HOSPITAL

When responsibilities for certain health activities and the medical stockpile operation were transferred, less than 2 years ago, from OCDM to the Department of Health, Education, and Welfare, the Public Health Service began an immediate investigation into those stockpiles and into the civilian defense capabilities of the general program. Out of these studies was evolved the present plan for the prepositioned Civil Defense Emergency Hospital, a plan that to this observer is superior to the OCDM plan which provided for massive centralized stockpiles which would have to be moved by a handicapped transportation system.

Our general interest as civilians is in the medical care capability offered by the emergency hospital and in the medical components thereof. As manufacturers, our specific interest lies in dextran which is one of the survival items on the intravenous solutions list of the prepositioned hospitals.

BLOOD REPLACEMENT PREFERABLE

In its advisory position to Federal agencies, the National Research Council has always accepted the position that blood and its natural derivatives provide more physiological means of replacement therapy

than do synthetic substitutes. Aside from this preference, it was recognized that in atomic warfare, where thousands of casualties would be expected, sufficient quantities of blood could not be made available and compromises would have to be made. Therefore an inexpensive, synthetic expander was recognized to have an important place in both civilian and military medicine. The sterility of the expander in regard to the hepatitis virus and its relatively low cost would be additional considerations.

After working for several years with various expanders and studying the problem, the appropriate members of the National Research Council came to the conclusion that "the best plasma expander available is Dextran." In 1951 the National Research Council recommended to the Federal Government that Dextran be stockpiled for use in military or civilian disasters.

BLOOD IN SHORT SUPPLY

Blood is not in short supply in the United States during peacetime, but it cannot be held longer than 21 days; it cannot be stockpiled. Approximately 1 man-hour is required to draw, type, tag, and titer 1 pint of blood, provided donors, equipment and working space are available. This means that, as a maximum, the 1,500 blood banks in the United States, working under ideal conditions, could process only 150,000 pints of blood per day. But conditions would not be ideal; nor would transportation facilities. In light of these facts it appears obvious that the answer can only be pre-positioned hospitals as planned by the Public Health Service.

PHARMACHEM "SMALL BUSINESS"

In addition to all of the foregoing I should like to remind you: Pharmachem is "small business," so designed by the Small Business Administration; we operate in Bethlehem, Pa., an area of chronic unemployment. Further, we buy nearly 100 percent of our small-business-made components within our own area, we give preference to areas of unemployment for whatever we buy. We employ 15 to 75 people depending on the state of Government contracts. Dextran contracts put our Government's funds to work where funds are sorely needed.

STOCKPILING OF DEXTRAN

The National Research Council has urged the various Government agencies to stockpile dextran. It has also pointed out the importance of maintaining in operation the country's only dextran plant. We are attaching a reprint of one of the "papers" to which I refer. Page 5 contains the reference to the maintenance of a dextran plant.

And I would like to read that page 5 reference.

Senator ALLOTT. It will be included, all of the attachments, in the record.

Mr. KORNET. This appeared in print in May, 1955:

Currently stockpiling of dextran has come to a pause and future production appears to depend upon civilian utilization. In 1957, total civilian use amounted to less than 150,000 units. At present dextran is produced in several other countries but only one commercial company is in production in the United States. Its maximum capacity is 130,000 500-cc. units per month but

its current production volume is only 65,000 units per month. Should the demand not justify its continued commercial existence and the last surviving dextran plant in the United States close, a delay of 8 months in resuming production might be anticipated in case of a national emergency during which the only sources of additional dextran would be Sweden or England. This is a problem of which the profession should be aware.

I shall be happy to document any of the foregoing statements if you so request; we shall be happy to answer your questions; we shall be happy to return to Washington with any further information you need.

We at Pharmachem hope you will restore the appropriation for the acquisition of pre-positioned hospitals which we feel is in the national interest as well as our own.

I thank you sincerely for your attention.

Senator ALLOTT. Do you have a statement?

Mr. HERB. Senator, I am here mainly to answer any technical questions, if you have any.

I would also like to say that we put life preservers on boats, but we do not intend to sink them in the event of a national emergency, of course, with the disrupted transportation system.

TRAINED PERSONNEL

I have been in the dextran busines since its inception in 1951. It took us 4 or 5 years to train the personnel to the degree that is necessary to turn out a fine pharmaceutical.

Should we lose this personnel, which might well happen, in the event the pre-positioned hospitals are not allocated funds, we would be in a dire state as far as starting a clinical dextran program again, and it might be 7 or 8 months before we could turn out a unit of dextran which, in the time of national emergency, would certainly be greatly needed.

I would like to say that I cannot urge—I mean, I know the problems that are involved in turning out a pharmaceutical and getting the degree of purity required and in time of a national emergency, it would be so fortunate to have in the time of an atomic attack, and it would be absolutely impossible to get out the number needed in an emergency.

Therefore, I feel that it is necessary for pre-positioned hospitals and stockpile medical supplies in those hospitals.

Senator ALLOTT. I think the committee appreciates the situation. Our choice is either to plan or not to plan for the potential time of emergency. It is very interesting to see the part your product and your corporation plays in this emergency planning.

Thank you very much, gentlemen.

Mr. HERB. Thank you, Senator.

(The complete statement of Mr. Kornet follows:)

STATEMENT OF J. L. KORNET, PRESIDENT OF PHARMACHEM CORP., OF BETHLEHEM, PA.

Mr. Chairman, I appreciate this opportunity to appear before you and your distinguished colleagues to present my views on the need for funds for civil defense emergency hospitals.

My firm, Pharmachem Corp., of Bethlehem, Pa., is a small-business operation in a distressed economic area. It is the only firm in the United States that manufactures dextran substance for use in making dextran injection, a plasma volume expander.

When responsibilities for certain health activities and the medical stockpile operation were transferred, less than 2 years ago, from OCDM to the Department of Health, Education, and Welfare, the Public Health Service began an immediate investigation into those stockpiles and into the civilian defense capabilities of the general program. Out of these studies was evolved the present plan for the pre-positioned civil defense emergency hospital, a plan that to this observer is superior to the OCDM plan which provided for massive centralized medical stockpiles. Pre-positioned emergency hospitals, set up throughout the country, are certainly more likely to provide medical care where needed than are centralized stockpiles which would have to be moved by a handicapped transportation system.

Our general interest as civilians is in the medical care capability offered by the emergency hospital and in the medical components thereof. As manufacturers, our specific interest lies in dextran, which is one of the survival items on the intravenous solutions list of the pre-positioned hospital.

In its advisory position to Federal agencies, the National Research Council has always accepted the position that blood and its natural derivatives provide more physiological means of replacement therapy than do synthetic substitutes. Aside from this preference, it was recognized that in atomic warfare, where thousands of casualties would be expected, sufficient quantities of blood could not be made available and compromises would have to be made. Therefore, an inexpensive, synthetic expander was recognized to have an important place in both civilian and military medicine. The sterility of the expander in regard to the hepatitis virus and its relatively low cost would be additional considerations.

After working for several years with various expanders and studying the problem, the appropriate members of the National Research Council came to the conclusion that "the best plasma expander available is dextran." In 1951 the National Research Council recommended to the Federal Government that dextran be stockpiled for use in military or civilian disasters.

Blood is not in short supply in the United States during peacetime, but it cannot be held longer than 21 days. It cannot be stockpiled. Approximately 1 man-hour is required to draw, type, tag, and titer 1 pint of blood, provided donors, equipment, and working space are available. This means that, as a maximum, the 1,500 blood banks in the United States, working under ideal conditions, could process only 150,000 pints of blood per day. But conditions would not be ideal; nor would transportation facilities. In light of these facts it appears obvious that the answer can only be pre-positioned hospitals as planned by the Public Health Service.

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The National Research Council has urged the various Government agencies to stockpile dextran. It has also pointed out the importance of maintaining in operation the country's only dextran plant. We are attaching a reprint of one of the "papers" to which I refer. Page 5 contains the reference to the maintenance of a dextran plant.

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I thank you sincerely for your attention.

THE PRESENT STATUS OF DEXTRAN AS A PLASMA EXPANDER

(John M. Howard, M.D., Philadelphia, Pa.; Richard V. Ebert, M.D. Little Rock, Ark.; Walter L. Bloom, M.D., Atlanta, Ga.; and Margaret H. Sloan, M.D., Washington, D.C.)

Throughout the past 8 years, committees of the Division of Medical Sciences of the National Research Council have been vitally interested in the development of a plasma volume expander which was effective and safe, yet which could be produced inexpensively, in large quantities, stored in varied climates, and would remain stable under conditions of storage for long periods of time.

In its advisory position to Federal agencies, the National Research Council has always accepted the position that blood and its natural derivatives provide more physiological means of replacement therapy than do synthetic substitutes. Aside from this preference, however, an inexpensive synthetic expander appeared to have an important place in both civilian and military medicine. In civilian hospital practice, the immediate availability of such an expander for instantaneous use while blood is obtained and cross matched would prove an obvious advantage. The sterility of the expander in regard to the hepatitis virus and its relatively low cost were additional considerations.

After working for several years with the various expanders and studying the problem, the members of the subcommittees on shock and trauma came to the conclusion that the best plasma expander available was dextran. Subsequently, in 1951 the National Research Council recommended to the Federal Government that dextran be stockpiled for use in military or civilian disasters. This recommendation was based on years of study by many investigators in this and other countries, and on its use for many clinical teams. During the course of these studies, several members of the subcommittees have utilized dextran widely and have come to depend upon its use in their emergency room services. We who use this expander extensively are confident that dextran gives additional time in the resuscitation of the critically injured, during which blood or blood derivatives may be obtained.

NATURE OF DEXTRAN

The term "dextran" was first used to describe the gums of carbohydrates nature which were formed in the juice of sugarbeets and grapes. Later Pasteur demonstrated that dextrans were the result of microbial action.

Dextran, as produced for use as a plasma volume expander, is a polysaccharide produced by the enzymatic action of a streptococcus, leuconostoc mesenteroides, on sucrose to form a high molecular weight polymer of glucose. This polymer can be partially hydrolyzed and fractionated to produce an average molecular weight of 75,000.

Dextran is a glucose polymer in which the glucose molecules are joined for the most part by one-six linkages and with varying degrees of branching; the molecular weight of a given dextran preparation is dependent upon the number of glucose molecules which it contains. Since dextran is produced by bacterial action, the industrial preparation of dextran results in the production of molecules of many sizes. Thus a bottle of dextran, as prepared according to American specifications for clinical use, contains dextran molecules of various molecular weights. The average molecular weight is 75,000±15,000 (table 1). The average of the top 10 percent is not greater than 200,000. The average of the lowest 10 percent is not less than 25,000. The determination of the particular molecular weight range which may be preferable for clinical use has been under continuing investigation.

TABLE 1.—*Molecular weight of dextran and serum proteins*

Serum albumin	68,000
Serum gamma globulin	156,000
Fibrinogen	400,000
Commercial dextran	75,000
Glomerular threshold	45,000

PHYSIOLOGICAL ACTIVITY

Repeatedly, studies of commercial dextran preparations have demonstrated the colloid osmotic pressure of the dextran in the same way as plasma proteins can maintain the plasma volume. The glomerular membrane has a threshold to inert molecules which permits the passage of those with molecular weights below a level of about 45,000. Such molecules pass through the glomerular membrane rapidly after infusion and are excreted in the urine and therefore contribute little to the plasma volume expanding effect. Molecules in the range of 60,000 to 200,000 circulate in the bloodstream for periods up to 24 hours and are then either broken down and excreted or metabolized. The large molecules are probably picked up by the reticuloendothelial cells and are eventually metabolized, very little being stored for longer than 2 weeks.

That dextran results in a temporary increase in blood volume is unquestionable. Its administration produces a hemodilution with a fall in hematocrit and a decrease in the concentration of plasma proteins. Serial studies of blood volume and of plasma dextran concentration reveal that the blood volume increment, reaching its peak shortly after administration, gradually subsides and that at the end of 6 hours over 50 percent of the administered dextran remains in the circulation.

SIDE EFFECTS OF DEXTRAN

During the early developmental days, periods when different types of dextran were being evaluated, observations were made on some dextrans indicating a high incidence of allergic reactions. Today with dextran made according to National Research Council specifications, this is seldom a clinical problem. During the past few years, investigators have demonstrated an increased bleeding time by the ear lobe test following the administration of large amounts of dextran to normovolemic people. Although this is a valid observation, it has not produced increased bleeding as a surgical problem. In the recommended range of dosage, thousands of patients have received dextran in quantities of 1,000 to 2,000 milliliters each. Among this large group in whom dextran has been used therapeutically, resultant bleeding has not proved a clinical problem.

CLINICAL EXPERIENCES

Many reports have been written concerning the occasional rare reactions to the administration of dextran; few have been written to describe the present-day usefulness of this expander. Most clinicians who have used dextran and found it useful have not analyzed and compiled their experience for publication. Indeed, thousands of liters are being used annually, many surgeons having come to lean upon dextran as an extremely valuable crutch in providing emergency care. Its place has been found to be that of a resuscitative agent for immediate use while blood or blood derivatives are being obtained. "Its place is in the emergency room and operating room, not on the wards or in the pharmacy or storeroom."

In the urban hospitals, where blood banks are active, dextran has proved of value in the emergency room while blood is being obtained. In smaller community hospitals where donor lists are utilized rather than banked blood, dextran has a more prolonged range of usefulness. The practitioner who is isolated from institutional facilities should find an even wider use for dextran as he institutes emergency care for his scattered patients.

MILITARY UTILIZATION

Following its widespread civilian utilization, dextran was introduced into Korea for the treatment of battle casualties in the forward combat areas. Initially its use was restricted to those casualties who could be studied by blood volume and metabolic studies. When the severely injured casualties were found to respond to dextran to a degree comparable to civilian experience, the utilization of dextran was increased. Finally, because of the incidence of hepatitis following administration of pooled plasma, the latter was withdrawn from the combat theater. Only dextran and albumin were utilized thereafter in those areas in which blood was not immediately available. Only one group supervised the administration of 4,000 units of dextran within a period of a few months. The results of its clinical use under these conditions were gratifying.

TABLE 11.—*Dextran stockpiles (approximate)*

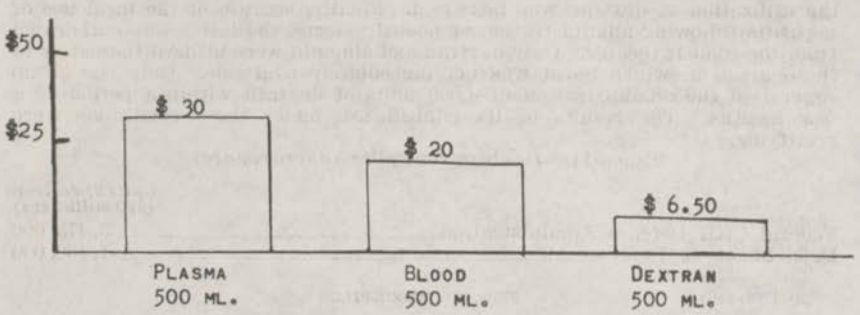
	Units of dextran (500 milliliters)
Federal Civil Defense Administration	3,475,000
Department of Defense	1,400,000

FEDERAL STOCKPILE

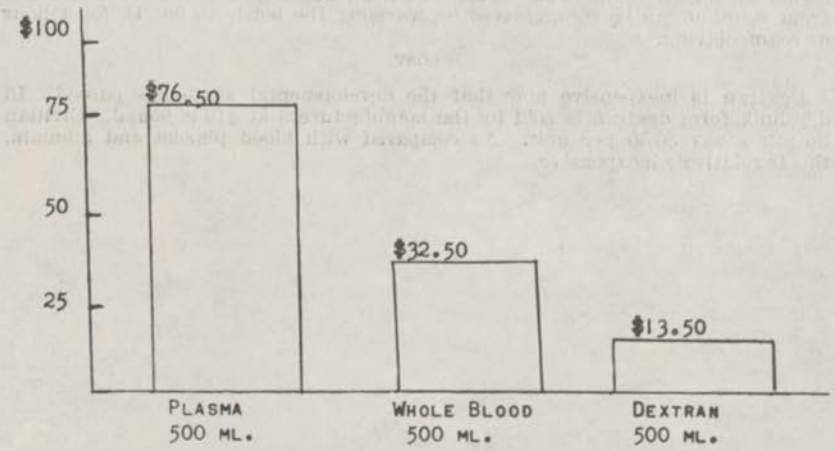
Based on many years of study, the National Research Council recommended to the Department of Defense and the Federal Civil Defense Administration that dextran be included in the national stockpile. Currently, it is the only expander recommended by the National Research Council for additional stockpiling. This recommendation is based not only on its usefulness but on the fact that in contradistinction to polyvinylpyrrolidone (P.V.P.) dextran is metabilized rather than stored. At present, 3,475,000 units (500 milliliters each) have been stockpiled by the Federal Civil Defense Administration and a smaller quantity by the Department of Defense (table 11). The stockpile has been gradually accumulated over a period of years. The oldest solution has been in stockpile since 1952, 6 years. To date, it appears to tolerate the prolonged period of storage quite well. The occasional slight precipitation of dextran from solution can be counteracted by warming the bottle to 90° C. for 1 hour or reautoclaving.

COST

Dextran is inexpensive now that the developmental stage has passed. In dry bulk form dextran is sold by the manufacturers at $13 a pound. Civilian hospitals pay $6.50 per unit. As compared with blood plasma and albumin, this is relatively inexpensive.



COMPARATIVE COSTS TO HOSPITAL (APPROXIMATELY)



COMPARATIVE COSTS TO PATIENTS (APPROXIMATELY)

THE CURRENT PROBLEM

Currently, stockpiling of dextran has come to a pause and future production appears to depend upon civilian utilization. In 1957, total civilian use amounted to less than 150,000 units. At present dextran is produced in several other countries but only one commercial company is in production in the United States. Its maximum capacity is 130,000,500 cubic centimeter units per month, but its current production volume is only 65,000 units per month. Should the demand not justify its continued commercial existence and the last surviving dextran plant in the United States close, a delay of 8 months in resuming production might be anticipated in case of a national emergency during which the only sources of additional dextran would be Sweden or England. This is a problem of which the profession should be aware.

TABLE III.—*Dextran—the current problem (1957)*

	Units of dextran
Total civilian utilization (United States) (yearly)	150,000
Current production volume of only factory in United States (monthly)	65,000

The only other information is the following excerpt from the Washington report on the medical sciences, August 18, 1958.

CIVIL DEFENSE EQUIPMENT

"As approved by the Senate, the supplemental funds bill also includes $4 million to go to the Office of Defense and Civilian Mobilization for purchase of protective devices and equipment. These are intended for loan or grant to the States. Of the total allowed, $500,000 is earmarked for procurement of dextran to go into the blood expander stockpile."

" 'The (Senate) committee understands,' said its report, 'that this new procurement will not add to the total units presently available for transfusions, but is necessary to maintain the medical stockpile at current levels which would otherwise be reduced because of shrinkage resulting from the reworking of blood plasma in the stockpile in order to restore its original effectiveness.' "

SUMMARY

Many years and a heavy investment have gone into the development of an acceptable plasma volume expander. Dextran has been developed and has now proved inexpensive and of great value in emergency treatment. Few emergency rooms can provide optimal therapy unless such a product is available for immediate utilization in the treatment of hypovolemic shock.

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3. Artz, C. P., Howard, J. M., and Frawley, J. P., "Clinical Observations on the Use of Dextran and Modified Fluid Gelatin in Combat Casualties," Surgery, 37: 612–621, 1955.

NEW YORK AIRWAYS

STATEMENT OF ROBERT L. CUMMINGS, PRESIDENT

GENERAL STATEMENT

Senator ALLOTT. Mr. Cummings, of the New York Airways.

It is nice to see you again, sir. We saw you last year, did we not?

Mr. CUMMINGS. Yes, sir, you did. I appreciate the privilege very, very much of appearing before you again.

Senator ALLOTT. First of all, Mr. Cummings, we will insert your statement, which is fairly lengthy, into the record in full. Will you proceed?

Mr. CUMMINGS. Thank you, sir.

May I read the statement or would you prefer that I skim through it?

Senator ALLOTT. How long is it?

Mr. CUMMINGS. It is nine typewritten pages.

Senator ALLOTT. Well, proceed in whatever way you think you can cover it most expeditiously.

Mr. CUMMINGS. Well, frankly, Senator, I would appreciate very much as many questions as I can stimulate.

We are taking advantage of this opportunity to appear before the subcommittee in order to supply such information as may be useful in support of the appropriation request of the Civil Aeronautics Board for helicopter service.

Senator ALLOTT. Well, we can skip over that part.

We are fully aware of the three helicopter services in the country, and I think we are aware, generally, or have the figures here of the amounts involved in the appropriation——

Mr. CUMMINGS. Yes, sir.

Senator ALLOTT. And now, you can take it from there and cover it as you wish.

Mr. CUMMINGS. Well, I will not take very much time.

I'm actually prepared to highlight this, as you requested some of the other witnesses this afternoon to do.

I would, however, like to uncover two or three points which I think are fundamental to our reasons for appearing here. We are, and it is something that we worked very hard at, interested in reducing our requirement for a subsidy.

QUESTION OF REDUCING SUBSIDY

However, it should be brought to your attention that New York Airways' ability to reduce its subsidy need is dependent on a broadening of the public service base—growth. Growth of this sort is the only way to reduce unit costs and thus to spread the impact of overhead. The current proposal of the House, if finally it becomes law, will bring that growth to a standstill.

Our company is unqualifiedly confident that with the new twin turbin Boeing helicopters we can build our business to a point where it will be possible to first reduce and ultimately eliminate subsidy. Our planning is dedicated to that objective above all others.

REASONS FOR CERTIFICATION

As we understand it, one of the principal purposes for which New York Airways is certificated and for which it has received subsidy during the past 10 years is the commercial and technical development of the helicopter as an economic and effective means of public transportation. While the Boeing V–107 is certainly not the final answer—nothing ever is—it does, in our judgment, represent an unusually important step forward.

NEW BOEING HELICOPTERS

Impressive as are the technological advances evident in the new Boeing helicopters (the ability to fly vertically, a cruising speed in excess of 155 miles an hour, low noise levels, and the capability for

instrument operations), the economic breakthrough that is represented in this equipment is even more significant. It will cut direct operating costs in half—from over 26 cents per available seat mile to approximately 11 cents. It was for this reason, referring to the twin turbine Sikorsky S–61 and the Boeing V–107, that Vice Chairman Murphy was able to testify before this subcommittee that "it is anticipated that the turbocopter will make substantial inroads in direct operating costs and should prove a major factor in ultimately reducing subsidy."

These machines have two turbine engines located, as you can see, in this cutaway section.

They carry 25 passengers and they fly at about 155 miles per hour. They fly in the New York area, for example, from LaGuardia Field to Newark in 10 minutes, a journey which otherwise can take anywhere from 1½ to 3 hours, as you are undoubtedly familiar with.

They cost approximately $850,000 apiece. They carry cargo in the after compartment, that you will observe here.

Senator ALLOTT. And a couple of further questions about it, Mr. Cummings. This plane is watertight so that it can land on water, is it not?

Mr. CUMMINGS. Yes, sir; we have demonstrated that.

Senator ALLOTT. You demonstrated it unfortunately, did you not?

Mr. CUMMINGS. Yes, sir; if I may go off the record, I will explain that.

Senator ALLOTT. Off the record.

(Discussion off the record.)

TOTAL HELICOPTERS

Senator ALLOTT. How many of these have you now purchased?

Mr. CUMMINGS. We have three, and we have got one of them in May for training purposes, one in June to supplement that, and a third shortly after the 1st of July, on which date, the 1st of July, we started our operations. We are scheduled to get another one as soon as the Boeing Co. can deliver it, which we now understand will be in November.

Senator ALLOTT. That would make the fourth one?

Mr. CUMMINGS. That would be the fourth. Then we have a fifth which has been ordered for delivery in March. But with respect to that, we must get the prior permission of the Civil Aeronautics Board before we can take a delivery.

Senator ALLOTT. The Civil Aeronautics Board program last year was $1,950,000, I think, to each of the three helicopter airways. They stated that they thought each of you could buy four new turbines with that level of subsidy. I think it is significant that you stated now that you have three. Chicago has purchased none, Los Angeles has four.

Mr. CUMMINGS. That is right.

GUARANTEED LOAN

The actual guaranteed loan to which you refer was for five aircraft, and purchase four, but the delivery problem is the only reason we do not have four now.

The allocation of the necessary operating subsidy for the year, to which you have reference, was decided more recently, and of the $6 million allocated by the Congress for the past fiscal year New York Airways received $2,527,000.

Senator ALLOTT. Do you have the figures as to how much the other two received, Mr. Cummings?

I should not be asking you to testify to their figures but as long as you have given us yours perhaps this would be a good place for them, if you have them.

Mr. CUMMINGS. Yes, I have them, if I can find them.

We will have to submit that information. We do not have it with us.

Senator ALLOTT. If you do not have it right here we can get it very easily, so just forget about it.

Now I would like to talk with you a little bit about some of the things I discussed with you last year. You remember my telling you that twice in the previous year I had tried to utilize the facilities of your helicopter service. I am happy to tell you that I have not had occasion to request it during the past year, so I have not had any experience, but I did have occasion to request it twice in Chicago and I was unable to get it either time.

Now I am interested in what are you doing in this respect. First, let's start back: What is your fare from Idlewild and LaGuardia to New York?

BASE FOR HELICOPTER FLIGHTS

That is your base down at Wall Street, is it not?

Mr. CUMMINGS. Our main base is at LaGuardia Field, where we have the hangar and what offices we have.

Senator ALLOTT. Your downtown landing is in Wall Street, is it not?

Mr. CUMMINGS. That is right. It is at the foot of Manhattan.

Senator ALLOTT. How do people get from there to town?

Mr. CUMMINGS. People get from there up to town, if that is what they are going to do, by a taxi drive.

Senator ALLOTT. How long does that take?

Mr. CUMMINGS. Well, depending upon the time of day it will take from 15 minutes to an hour to the midtown area, to the U.N. Building.

Senator ALLOTT. How long does it take from Idlewild to Wall Street?

Mr. CUMMINGS. By our helicopter it takes about 7 minutes.

Senator ALLOTT. I am interested in this. I may be using this in the fall.

Mr. CUMMINGS. Well, I certainly hope you will and I certainly hope that if you have any difficulties whatever in either getting a helicopter or, after getting aboard, if you have any difficulties, you will immediately let us know.

Senator ALLOTT. Now, of course, the time from Idlewild to uptown, around 48th or 49th Streets is only about three-quarters of an hour to an hour now by cab.

FARE FROM AIRFIELDS

So that if you consider the transfer to your facility at Idlewild and the time to Wall Street, and the time uptown, you do not have an actual saving of time.

What is the fare?

Mr. CUMMINGS. $7 from Idlewild to Wall Street, $6 from LaGuardia to Wall Street—$5 from LaGuardia to Wall Street, and $6 from Newark to Wall Street.

Senator ALLOTT. Now what are you doing, and I would like to hear about this specifically, to promote the use of your helicopter service? We all know about these various aircraft, and they cannot be made to pay unless they are used constantly and continually.

PROMOTION OF SERVICE

What specifically are you doing for the promotion of helicopter service in the New York area?

Mr. CUMMINGS. Well, with the new equipment, this Boeing V–107 of which we are really terribly proud, we undertook a very substantial advertising and promotional campaign.

We were prepared to invest quite a lot of money, the better part of $60,000 which is just exactly $60,000 more than we have ever invested before in advertising, with the inauguration of this ship into service on July 1.

We have had, unfortunately, a number of debugging problems, mechanical things, which normally go on with a device such as an aircraft when you first put it into service, and because of this we suspended our advertising program.

I think it was the 17th of July, the day after we had the unfortunate landing in New York Harbor.

We expect to start it again and to push our service in the New York area, and in other areas around the country, where many of our passengers come to and go from, as soon as we are satisfied that we can come relatively close to operating our schedules as they are published in this little folder.

We have had, in the month of July, very, very encouraging results in spite of the debugging problems.

We carried in that month 21,045 passengers as compared to 12,625 passengers during the same month in the preceding year, an increase of 67 percent.

SPARE PART SHORTAGE

This, as I mentioned, was accomplished in spite of the fact that debugging problems compounded by spare part shortages were largely responsible for the cancellation of 46 percent of our schedules.

This is a very serious problem.

It is a very costly problem.

It impairs the ability of our company at this time to do as well as we would like to, and it has forced us to make, regrettably, a decision to stop our advertising until we were satisfied that the debugging progress progressed to a point where we could keep our aircraft in the air with more regularity.

Senator ALLOTT. Now, what sort of a load factor does this work out for you?

Mr. CUMMINGS. On the flights that we flew we had just under 50 percent, about a 46 and a fraction percent, load factor.

With an initial stage and a new aircraft which, in effect, offered four times more service than the previous aircraft, that was.

You see, it travels about twice the speed. It carries 25 passengers against about 13, and it is able to fly in much stronger weather, so the net result is a productivity of about four times the equipment we have had until very recently.

Senator ALLOTT. Now, last year until about all three of the helicopter witnesses were here, my recollection of the testimony, and I have checked this in the last few days, is that the testimony of all three of you, particularly you and—Mr. Berlin—is it?

Mr. CUMMINGS. Yes, sir.

SUBSIDY FOR TURBINE SERVICE

Senator ALLOTT. Was that if you went into the turbine service that the cost of subsidy would increase during the years 1963 and 1964, and that not until 1965 could we expect to see a reduction in the subsidation.

What is your view on this matter now?

Mr. CUMMINGS. Still our view. I have here a chart which is part of my testimony which I would like to refer to briefly.

Senator ALLOTT. Is that in your written statement?

Mr. CUMMINGS. Yes, sir, it is.

Senator ALLOTT. All right.

PISTON-POWERED BOEING V–107

Mr. CUMMINGS. You will note here a picture of our piston-powered machines of which we still have three, but which are being replaced by the Boeing Vertol 107.

This chart shows that the Boeing V–107 will produce an economic breakthrough, sharply reducing subsidy requirements.

It shows specifically that whereas this ship cannot meet its direct operating costs and actual operating at 5 hours a day with 50 percent load factor, it requires $165,000 per annum in subsidy just to fly, to meet its direct operating costs.

This aircraft, because of its increased speed and reliability and added capacity, is able, with the same load factor, 50 percent, just 50 percent of the seats filled and utilized only 5 hours a day—can earn over and above its direct operating costs of $355,000 per annum per ship.

Now, when this is carried out we have as a result of this characteristic of this machine, which is attributable primarily to the fact that it has two engines and that it can carry this capacity, as a result of this characteristic we can look forward to the day that when, with 10 aircraft, we can be entirely subsidy free.

Now, as I think I told you last year, we cannot, of course, tell you precisely when that might happen but the important and critical factor here is that with this machine it can happen.

Before it just simply could not, because it required subsidy even for the factor that it was in the air, let alone the ownership costs and so forth.

Now, it is that reason, here demonstrated by this chart, and I hope successfully, that we are here before you today, and we do not want to miss any opportunity to bring to your attention the fact that we do believe in this piece of equipment; that it is now in operation and,

although it has only been in operation 6 weeks, we have no reason to believe that this is anything more than a conservative statement of what it will do.

COST OF CONTINUING OPERATIONS

Senator ALLOTT. Then based upon the present operation what would you expect your subsidy to increase to during the coming year?

Mr. CUMMINGS. Well, we believe that our present operations could be conducted for something in the event of $2,450,000.

When I say our "present operations" this is our certificated area, the basis resulting from our renewal case before the Civil Aeronautics Board, completed 3 years ago now, and this is the route structure which we are now operating on.

It refers to the theory in here. It is the high-density area where we can charge fares as high as 63 cents a seat, mainly where there is a great deal of traffic.

It is on this route structure that we carried in the month of July in spite of the difficulties that I mentioned, over 21,000 passengers as compared to 12,000 the year before on the larger route structure.

We believe that our subsidy requirement today, to do a proper job on this, is somewhere in the vicinity of $2,450,000, which is down a little bit from what we received last year.

HOUSE CUT IN SUBSIDIES

Senator ALLOTT. Now, the House cut the helicopter subsidies to $4,975,000. It was $6 million.

What would this do to your operations?

Mr. CUMMINGS. Well, we think it would——

Senator ALLOTT. Specifically.

Mr. CUMMINGS. It would have a very serious effect upon our ability to show proper figures, because regardless of the funds available to us, we feel that we have something of which we all can be proud.

We think that we are doing a job which is important to the United States and to us, of course, and we would go, in any case, and try our best to prove to you by specific performance that the funds that we requested were necessary to our existence.

We would regret terribly much the necessity for showing red figures, but we would accept that risk if that was the only way that we could do it.

I think it would be terribly shortsighted, but if that is the way it is, that is the way it is.

That is only my opinion, of course.

RAISING FARES

Senator ALLOTT. Of course, you have given consideration to the raising of fares that some Members of Congress have suggested?

Have you had any actual experience with this, Mr. Cummings, as reflecting a decrease in growth?

Mr. CUMMINGS. Well, when we first started operating, Senator Allott, we had first as high as $15. We got loads of letters and complaints and very few passengers.

We reduced the fares 6 or 8 months after that initial try to somewhere in the vicinity of $10 to $12.

We then took a very careful look at the whole situation and, having talked to a great many people in the transportation field, the short-haul transportation business, particularly, we decided that we had to fit our fare structure into the $10 or below area.

We are averaging about 40 cents a seat-mile from the passenger yield at this point.

That compares with the figures for Los Angeles at 20 cents a seat-mile, and, at Chicago, 31.74 cents a seat-mile.

That is the average yield per passenger-seat-mile.

We do not believe that we can increase our fares very much, but we are keeping a very careful eye on that, and if our business continues to develop the way it has given every indication of developing, with this new equipment, we will certainly reconsider it and make a decision if humanly possible of increasing the fares at that time.

Senator ALLOTT. I asked you this question not because it reflects my point of view, but because the question was asked here last year——

Mr. CUMMINGS. Yes, sir.

Senator ALLOTT. At the hearings, and I think you should have an opportunity to make your views known on the record.

There is one other area that I would like to ask you about. We discussed it last year, I believe.

COMBINATION TICKET PLAN

That is the combination plan, when a passenger, for example, from Washington buys a ticket to New York, and by purchasing a combination ticket, whatever the airline may be, to New York, he could purchase your service at a reduced price.

Is that right?

Mr. CUMMINGS. Yes; that is right. That would not work on a flight as short as a flight from Washington to New York.

But we have agreements of the sort to which you refer with 28 airlines serving the New York area, both foreign and domestic, of the sort that you refer to.

For example, I think, coming from Denver on TWA there would be such an arrangement because that is considered long enough and it is also obviously competitive.

JOINT FARES

Senator ALLOTT. This says "Joint fares: Ask about our joint fares with the following carriers."

Why do you not just say, and I am reading from your schedule, why do you not just state that the passenger can get cheaper fares if he purchases your service with his airline ticket?

Mr. CUMMINGS. It is not on all airlines.

Senator ALLOTT. Well, "on the following lines." How many people are going to read this and ask about it?

Mr. CUMMINGS. I think that is a good suggestion.

Your point is that the words "joint fare" is probably too technical for the average person to understand?

Senator ALLOTT. I think, having been through this, that I understand what it means, but I also think there comes a time when every-

body has been through this joint fare business and on too short a flight you cannot afford the——

Mr. CUMMINGS. Well, it is not a question of our being able to afford it. It is a question of the long-haul carrier being able to afford it, because we get most of our local fare, anyway.

The proportion that we do not get is based on what is referred to as the straight rate.

Senator ALLOTT. Maybe I am talking like an amateur here, but——

Mr. CUMMINGS. No, sir; you are not.

Sentor ALLOTT. But the fare from Washington to New York is roughly in the neighborhood of $14?

Mr. CUMMINGS. Yes; that is close, I think. It is about $14.

Senator ALLOTT. Now, you are operating at a 50 percent capacity today.

Mr. CUMMINGS. Yes.

Senator ALLOTT. Now, if you do not put any of these over on the airline you can afford on a $7 ticket, you can afford on an original purchase, to haul those people at $5 because you are filling up your helicopter.

Mr. CUMMINGS. The point we are concerned with is that an order—just short of 50, a 46 percent load factor—it means that a great many load flights during the course of the day are maybe going 100 percent full, so we would not want to eliminate those passengers who are paying us our full fare.

We have studied this possibility on some kind of a family arrangement or weekend visit arrangement or round-trip arrangement, where people are coming in on business trips in the morning and are going back in the daytime.

We have not yet satisfied ourselves that the price or the application or development of that sort of tariff would really make us any money.

CHICAGO SITUATION

Senator ALLOTT. Could you tell me, and again I should not really ask you this question, has the Chicago situation cut back?

We do not have anyone here from Chicago, do we?

Has it cut back as a result of a closing of Midway?

Mr. CUMMINGS. That is my understanding.

I am not authorized, as you understand it, to speak for Chicago, but that is our understanding; objectively looking at it, that that is the problem.

Senator ALLOTT. Well, I would think that that is so. That is all the questions I have, Mr. Cummings.

Do you have anything else you want to add before we move on?

Mr. CUMMINGS. Well, maybe, if I could just show you quickly, without going to my statement, these charts: It will take just about 4 minutes at the most.

I realize it is very late in the day, and I apologize for I am imposing on you, but at the same time, I do not want to miss any chances.

This chart is somewhat similar to this and it is also part of our statement. It shows, with a piston engine aircraft, what I have said before, that it simply cannot, even after a 100 percent load factor, using all of this capacity, cannot become subsidy free.

I can, on an added-cost basis make out all right, at about a 77 percent load factor.

BOEING 107 AT 90-PERCENT LOAD COULD BE SUBSIDY FREE

Here, with this new aircraft, the Boeing 107, at a 90 percent load factor, which you, of course, will recognize as being an unrealistic figure to assume, but, nonetheless, it is indicative of this, that this ship can become subsidy free. It has only 28 percent of its capacity utilized, and it is able to fly schedules and not cost anybody anything.

It mets its expenses and pays its way.

Senator ALLOTT. It meets its operating expenses?

Mr. CUMMINGS. Its direct operating expenses.

Senator ALLOTT. Including amortization and depreciation?

Mr. CUMMINGS. That is right.

Senator ALLOTT. All right.

SPREAD OF UNIT COST

Mr. CUMMINGS. Now, again because of our ability with an increased fleet to spread the unit cost in relieving impact—to reduce the unit costs and spread the overhead impact, we are able at a 60 percent load factor, with 10 such aircraft, to become subsidy free.

Of course, assuming the same passenger yield per seat mile that we are roughly earning right at this moment, that is.

Senator ALLOTT. All right.

Mr. CUMMINGS. This is terribly important. I hope I make it clear. If I do not make it clear, it is my own fault.

Senator ALLOTT. It is clear to me. You have drawn me a picture and I understand it.

HELIPORT ON PAN AMERICAN BUILDING

Mr. CUMMINGS. One other thing, this is the new Pan American building in the heart of New York.

A heliport is being built on the top of it where we expect to start a high frequency and also yield heliport service. It is in the heart of Manhattan.

It is the only way to get into the heart of Manhattan. It is only about 5 minutes from La Guardia and about 9 minutes from Idlewild.

Senator ALLOTT. What happens if he misses the landing up there 45 stories or whatever it is?

Mr. CUMMINGS. It is 800 feet, it is about 59 stories.

This area here is larger than the area which we are now using for a landing area in downtown Manhattan, the Wall Street heliport.

With the two engines and the ability to fly vertical, this machine has the ability, for the first time in this industry of ours, to take straight off, and you have to be in one to believe it.

You have to really taste it to believe it.

LANDING AND TAKEOFF

With that ability we have no such problem because we make our approach 200 or 300 feet above the level of the building and then come into a landing.

Now, the takeoff procedure is to go about 150 feet above the level of the roof and if you are all in order at that point you fly on about your business, or, you have the choice of going back, or, even in the circumstances of losing one engine you have the ability to descend, accelerate, and go on about your business.

This is the unique characteristic to this machine, to which I have had reference, the Boeing 107.

Thank you very much for asking that question.

This is an artist's conception of the roof. You would think there would be a great deal of turbulence as a result of the wind coming in here.

To control that you have what I in a layman's language refer to as a venetian blind, and we have run very comprehensive wind tests on that.

And we control the air so that it is smoothed out across this roof, and there is no turbulence problem.

COST OF INSTALLATION

And, of course, we do not know that, as a matter of practical fact, until we do it but we have had the U.S. Naval Research Center in Philadelphia do a very comprehensive wind tunnel test, and we have checked those with other people and we believe this is right and everyone else believes it is right.

Senator ALLOTT. Who pays for the cost of that installation?

Mr. CUMMINGS. The building and Pan American Air Ways have a contract to pay for that.

If, as and when this is approved, and we are able to operate there, we will then take on the responsibility of $260,000 worth of capital costs, amortized over a 20-year period.

But only if it is a successful venture. We have no obligations until that time. And by that, I mean it has to be approved by the Federal Aviation Agency and all local agencies and so on.

Just one more picture and then I will stop:

BUILDING AT NEW YORK FAIR

This is the New York Worlds Fair. This will be the highest building in the worlds fair and we are now working—this is supposed to be a helioport—we are now working on an arrangement where we will have or where we will operate regularly frequent schedules in here.

The reason I mention these two, in spite of the fact that they look terribly dramatic, and they are, is that they are, from a business point of view, very interesting because they provide us with an opportunity to grow our fleet and our service base to a point where we can really make an impressive cut, and hopefully, with 10 aircraft eliminate the need for subsidy.

Both of these points are situated in the heart of a high density area.

The exposure to the public on this one should be a tremendous stimulus to our business.

AIRCRAFT CAPABLE OF BEING USED

Senator ALLOTT. If you had the money how many of these aircrafts could you employ at the present time in your present business?

Mr. CUMMINGS. Well, we could——

Senator ALLOTT. As far as load factor is concerned and the demand for it.

Mr. CUMMINGS. I do not know the maximum number of aircraft, but I know the minimum and we are below that right at this moment.

We could and should be employing four aircraft in this area right at this point.

The reason is in order to serve this on a high frequency basis, and you, of course, realize the inevitable and historic connection between the frequency and generation of traffic when you have a large concentration of people.

In those circumstances, when you have to have two aircraft in the air at one time to maintain a 30-minute schedule, you have to have one in scheduled maintenance and one other as standby for problems that develop unexpectedly and for training purposes.

Now, we are doing this with three aircraft, and that is one of our problems at the moment.

To go beyond this and go out, say, to New Haven, which has been found as part of our certificate and it is beyond Bridgeport, we would have to have an additional aircraft, and that would enable us also to serve the Peterboro-Patterson area.

I apologize for this because it is somewhat out of date, but it gives you a general idea.

CERTIFICATED AREA

This is our certificated area as of March 17, 1960, but we were not able to operate that now.

So when you asked me how many could we use I had to explain what was involved here.

Senator ALLOTT. But you are definitely under what you could use now?

Mr. CUMMINGS. Yes, sir, there is no question about that.

Senator ALLOTT. And what you need.

Mr. CUMMINGS. Yes, sir.

Senator ALLOTT. All right.

AMOUNT REQUESTED

Mr. CUMMINGS. And we cannot get any more aircraft without the assistance of the sort that the Civil Aeronautics Board has requested, $5,850,000, as the absolute rock bottom.

Senator ALLOTT. But that would enable you to acquire your fourth and your fifth——

Mr. CUMMINGS. I cannot answer that categorically, but it would certainly help.

Senator ALLOTT. It appears to at this moment.

Mr. CUMMINGS. Yes, sir.

Senator ALLOTT. All right. Thank you very much, gentlemen.

(The statement referred to follows:)

STATEMENT OF ROBERT L. CUMMINGS, PRESIDENT OF NEW YORK AIRWAYS

New York Airways is taking advantage of this opportunity to appear before the subcommittee of the Committee on Appropriations of the U.S. Senate in order to supply such information as may be useful in support of the appropriation request of the Civil Aeronautics Board for helicopter service.

In our view, unless the appropriation action recently taken by the House in bill H.R. 12711 is modified, as urged by the Civil Aeronautics Board, the continued development of scheduled helicopter operations will be severely impaired. The progress which has been so remarkable over the years and which has established the United States in a position of world leadership will be substantially retarded.

The appropriation proposed by the House will not provide a sufficiently broad base of operations to permit the three certificated helicopter operators (Chicago, Los Angeles, and New York) to take advantage of the technological breakthrough and the improvement in public service inherent in the new twin turbine-powered equipment. From the point of view of the Federal budget, which there would certainly be less subsidy expense during the current fiscal year, the subsidy requirements for helicopter service would inevitably be prolonged and total subsidy over a period of years would be greater.

At this critical time, the Congress has within its power the ability to move the infant helicopter transport industry in the direction of self-sufficiency, or to cripple it—possibly beyond recovery.

Because of the expenses involved in introducing new equipment into service, we are convinced that the Civil Aeronautics Board request for $5,850,000 is an absolute rockbottom minimum for the period under consideration. We would be less than honest if we did not here record our concern as to whether even that figure will be found adequate to meet our financial needs during this, the initial year, of multiturbine helicopter operation.

New York Airways ability to reduce its subsidy need is dependent on a broadening of the public service base—growth. Growth of this sort is the only way to reduce unit costs and thus to spread the impact of overhead. The current proposal of the House, if finally it becomes law, will bring that growth to a standstill.

Our company is unqualifiedly confident that with the new twin turbine Boeing helicopters we can build our business to a point where it will be possible to first reduce and ultimately eliminate subsidy. Our planning is dedicated to that objective above all others.

As we understand it, one of the principal purposes for which New York Airways is certificated and for which it has received subsidy during the past 10 years is the commercial and technical development of the helicopter as an economic and effective means of public transportation. While the Boeing V–107 is certainly not the final answer—nothing ever is—it does, in our judgment, represent an unusually important step forward.

Impressive as are the technological advances evident in the new Boeing helicopters (the ability to fly vertically, a cruising speed in excess of 155 miles an hour, low noise levels, and the capability for instrument operations), the economic breakthrough that is represented in this equipment is even more significant. It will cut direct operating costs in half—from over 26 cents per available seat-mile to approximately 11 cents. It was for this reason, referring to the twin turbine Sikorsky S–61 and the Boeing V–107, that Vice Chairman Murphy was able to testify before this subcommittee that "it is anticipated that the turbocopter will make substantial inroads in direct operating costs and should prove a major factor in ultimately reducing subsidy."

On the revenue side, in its very first month of operation the Boeing V–107 demonstrated its ability to attract large amounts of new traffic. In the July just past, New York Airways carried 21,045 passengers as compared to 12,625 during the same month a year ago—an increase of 67 percent. This was accomplished in spite of the fact that "debugging" problems compounded by spare parts shortages were largely responsible for the cancellation of 46 percent of our Boeing schedules.

The economic characteristics of the Boeing V–107 are such that at a reasonably attainable load factor it is possible, for the first time in the history of New York Airways, to earn substantial revenues exceeding direct operating costs. We have illustrated this in chart 2. Whereas at a 50 percent load factor the single engine V–44B requires $165,000 subsidy per aircraft to cover direct costs, the Boeing V–107 will provide revenue of $355,000 in excess of direct costs. The extraordinary implication of this is frequently overlooked. It means that indirect expenses and the other elements affecting the need for Government support can be, at least partially, offset even with New York Airways current very modest initial fleet.

This characteristic becomes particularly important as the size of the Boeing fleet increases. As shown in chart 3, the old fleet of five V–44's would have

required an impossible load factor of 180 percent to attain a subsidy free level. With a fleet of four Boeing V–107's a 90 percent load factor is required. While this is a substantial improvement, it is, of course, not realistic. However, as the chart shows, with a 10-aircraft fleet and a 60 percent load factor New York Airways can earn an reasonable profit, without subsidy. Only with a fleet of this size and type is it possible to spread overhead and reduce unit costs to a point where self-sufficient operations are possible.

This new equipment will also afford substantial benefits to the traveling public in terms of speed, reliability, comfort, and its ability to provide a high frequency service. As has been proved time and time again high frequency, in appropriate market conditions, is the key to traffic generation. Thus our Boeing V–107 schedule which went into effect on July 1 furnishes service at the downtown Manhattan heliport, New York International Airport (Idlewild), and Newark Airport every half hour and service at La Guardia Airport every hour. We are well advanced in plans for a high frequency service to and from a heliport which is now approaching completion on the top of the new Pan American Building in the very heart of Manhattan (chart 4). Likewise, we are working closely with the Port of New York Authority in planning another very high frequency service to and from the upcoming New York World's Fair.

In addition, our service to the Post Office Department will be improved and enlarged and our capabilities in assisting the civil defense effort will be enhanced.

The level of subsidy in the House bill would severely limit the possibility of helicopter service for the areas served by the three certificated helicopter carriers. Key communities in the States served by New York Airways have, in reliance on the findings of the Civil Aeronautics Board, either committed, or, in many cases, actually spent public funds for centrally located heliports and related facilities. Over the years, we have been working closely with civic leaders in many surrounding communities. Paterson, N.J., has already constructed (with Federal matching funds) a heliport which only awaits our ability to serve it. Likewise, the cities of Stamford, Bridgeport, New Haven, and Danbury in Connecticut, the cities of Trenton, Morristown, Plainfield, and New Brunswick in New Jersey, and Rockville Centre, Garden City, Huntington, White Plains, and New Rochelle in New York have all tangibly demonstrated their desire for our service. At this time, and under present circumstances, service to most, if not at all, of these points is out of the question. However, as our fleet develops, we can again look to the time when New York Airways will serve the needs of these communities.

We believe that the multiple accomplishments of not only New York Airways but also the operations in Chicago and Los Angeles, within the relatively recent past, should constitute a source of pride and deserve enthusiastic Government support.

New York Airways is now carrying passengers at a rate approaching 300,000 per year. Our records, confirmed by various surveys conducted by the Port of New York Authority, show that considerably more than half of these passengers reside outside of the New York metropolitan area. In the course of a month, we carry persons from just about every State in the Union and most countries around the world. We have joint fare agreements with 28 separate airlines—foreign as well as domestic—which is further evidence of the widespread public demand for our services.

In addition to its common carrier services, New York Airways has carried out a great deal of research and development in collaboration with the manufacturing industry and with other operators. We have done this not only to improve the efficiency of the airframe and engine, but also to develop more economic methods of operation.

Moreover, the contribution of certificated helicopter operations to the military is real and substantial. New York Airways has made an analysis of the cost savings to the military that will result from our operation of the Boeing V–107 helicopter. We have limited this analysis to nine principal dynamic components. For these components the FAA has authorized New York Airways to conduct a step-by-step progressive maintenance overhaul sampling program. To illustrate this program, the overhaul period for the aft transmission will be increased over a period of time from 150 to 1,000 hours. Similar increases will be provided for other items based on New York Airways' operational experience. Thus, when the Boeing V–107 helicopters are introduced into military service they will be able to take advantage of the 1,000-hour overhaul period for the aft rotor transmission rather than the 150-hour period which would otherwise be required. Considering only these nine components, we have computed introductory cost savings to the military in their Boeing V–107 program at approximately $1,500,000.

We are also in the final stages of an extremely important research program in collaboration with the Federal Aviation Agency. When completed, this program will enable us to conduct regularly scheduled operations under instrument flight conditions. This work, involving four ground stations as well as special airborne equipment is being carried out at no cost, direct or indirect, to the U.S. Government. The urgency which must be attached to the attainment of "all weather" operations can best be demonstrated by pointing out that in the calendar year 1961 our performance factor, primarily because of weather, was 79 percent—with the ability to conduct instrument operations this figure should be at the 95-percent level.

Finally, a number of representatives from countries around the world have visited us and solicited our advice on operational and technical matters. New York Airways, working at the request of and under contract to the Agency for International Development, has recently completed a study on the feasibility of commercial helicopter operations in East Pakistan. As a result, we expect to be offered a technical assistance contract for the establishment of a scheduled helicopter service in that country.

Incidentally, from discussions we have had with our foreign visitors, we are certain that American know-how in the helicopter field, both manufacturing and operating, is respected the world over. It seems clear that U.S.-designed helicopters could be of special assistance in many of the newly established countries in Africa and the Far East where distances are not great and where travel is almost entirely restricted to rivers and footpaths. It seems likely that helicopter service could be most constructive politically as well as economically in many of these areas.

New York Airways is confident that it can play an increasingly important part in meeting the transportation requirements of the public, but right now we need your help—and understanding. That is really why we are imposing on your time today.

Thank you very much for your patience and interest.

CHART 1

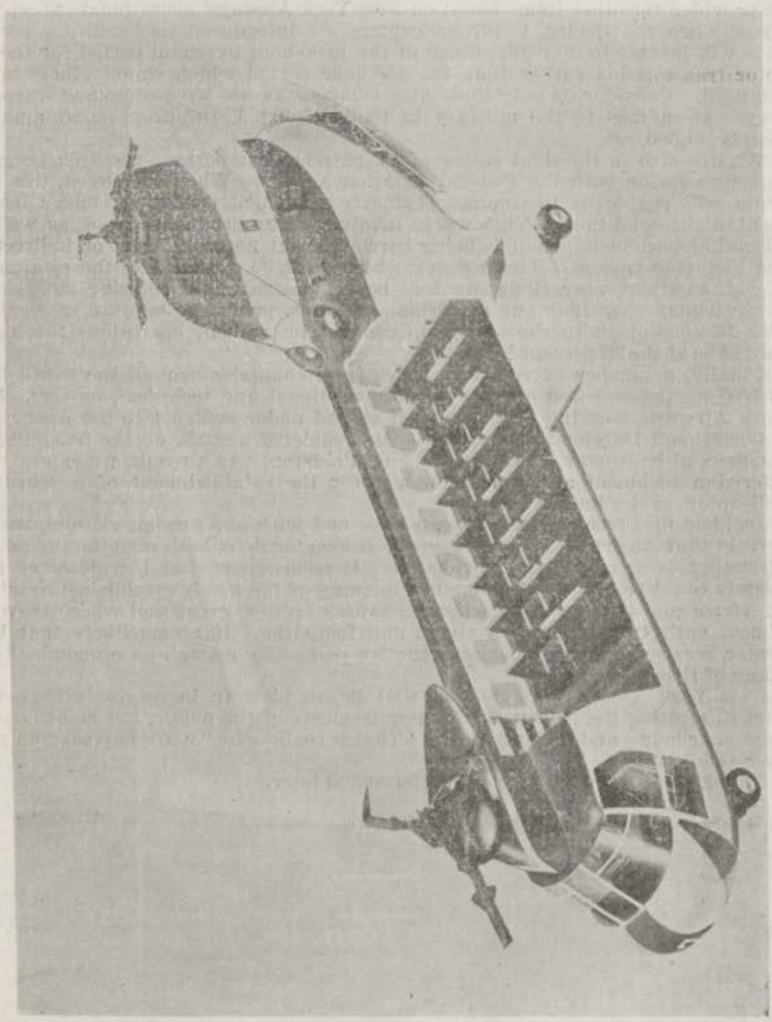


CHART 2

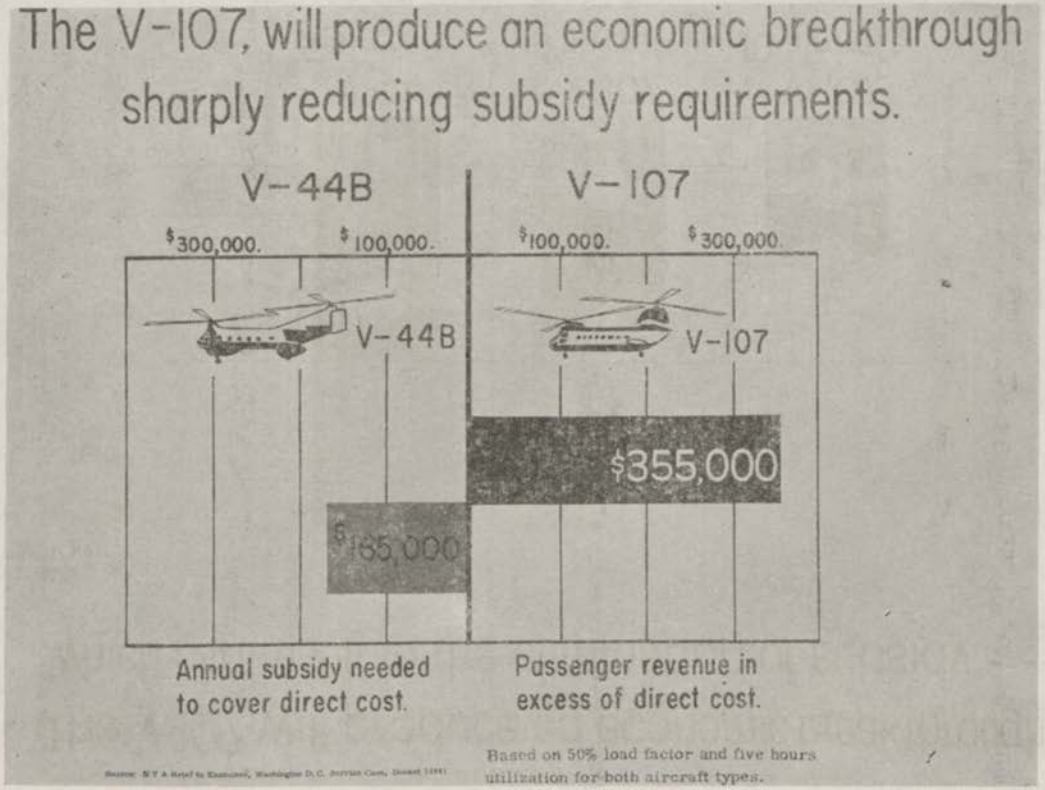

The V-107, will produce an economic breakthrough sharply reducing subsidy requirements.
V-44B
V-107
$300,000.
$100,000.
$100,000.
$300,000.
V-44B
V-107
$355,000
$165,000
Annual subsidy needed to cover direct cost.
Passenger revenue in excess of direct cost.
Based on 50% load factor and five hours utilization for both aircraft types.

CHART 3

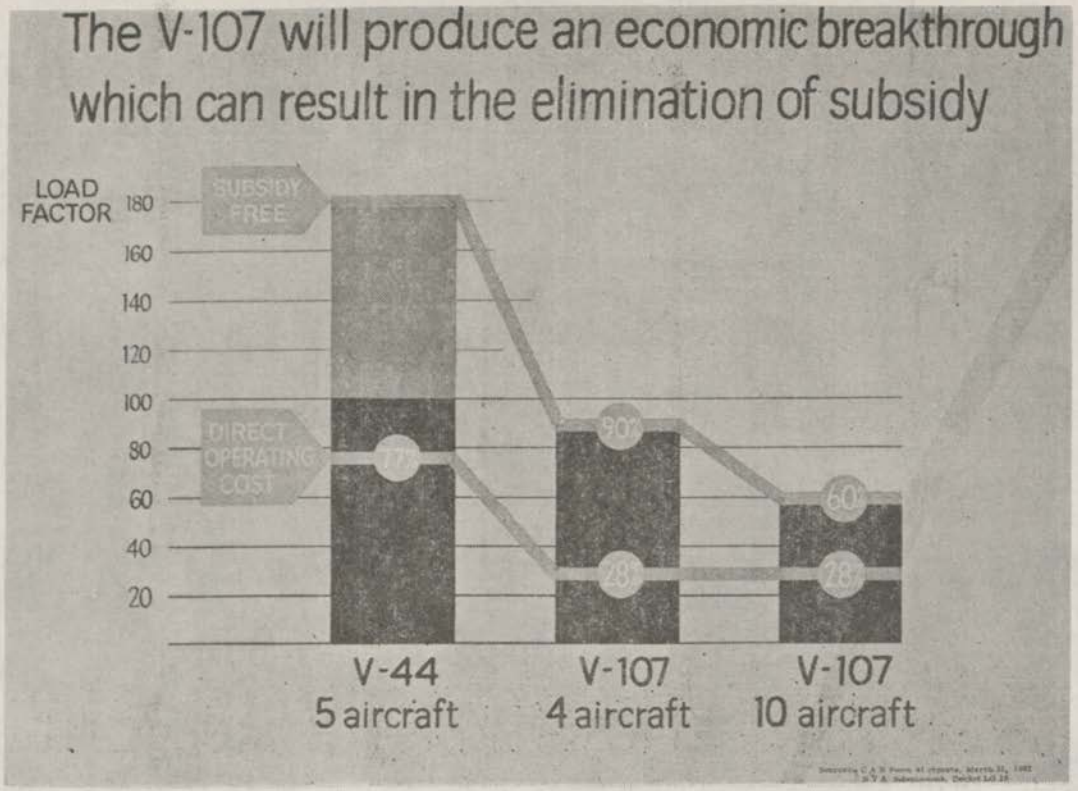

The V-107 will produce an economic breakthrough which can result in the elimination of subsidy
LOAD FACTOR
180
160
140
120
100
80
60
40
20
SUBSIDY FREE
DIRECT OPERATING COST
90
60
28
28
V-44
5 aircraft
V-107
4 aircraft
V-107
10 aircraft

CHART 4

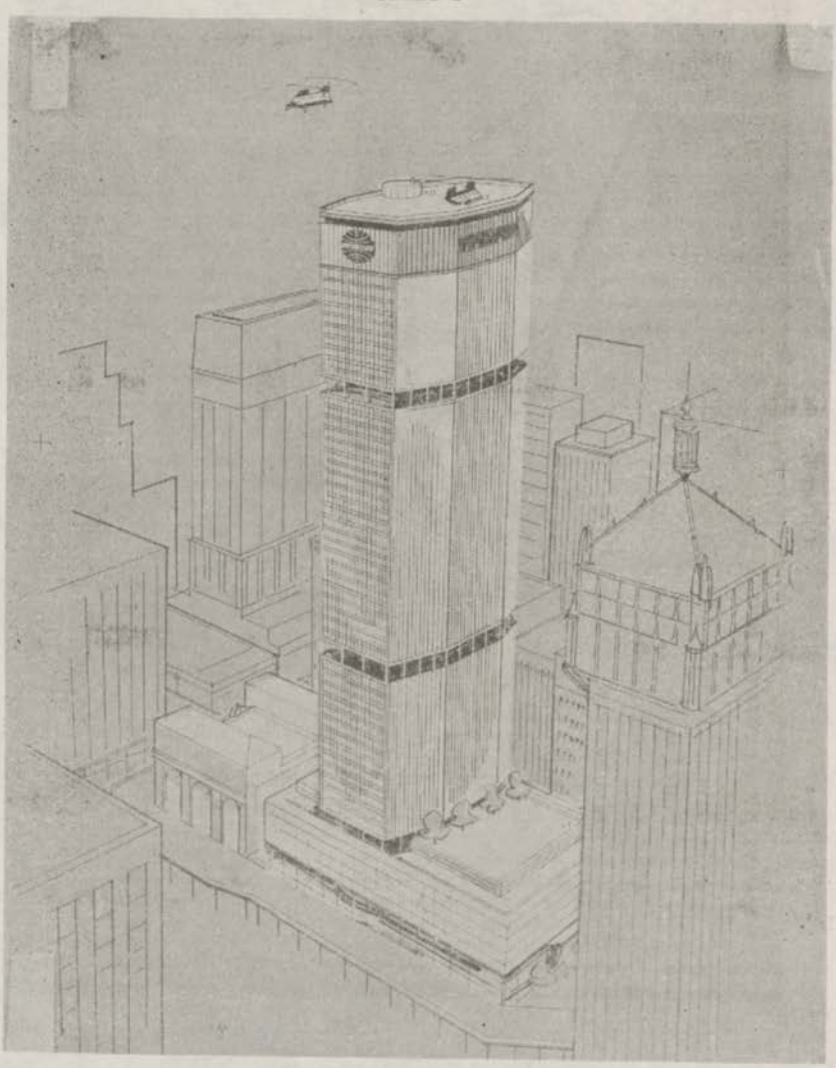


CHART 5

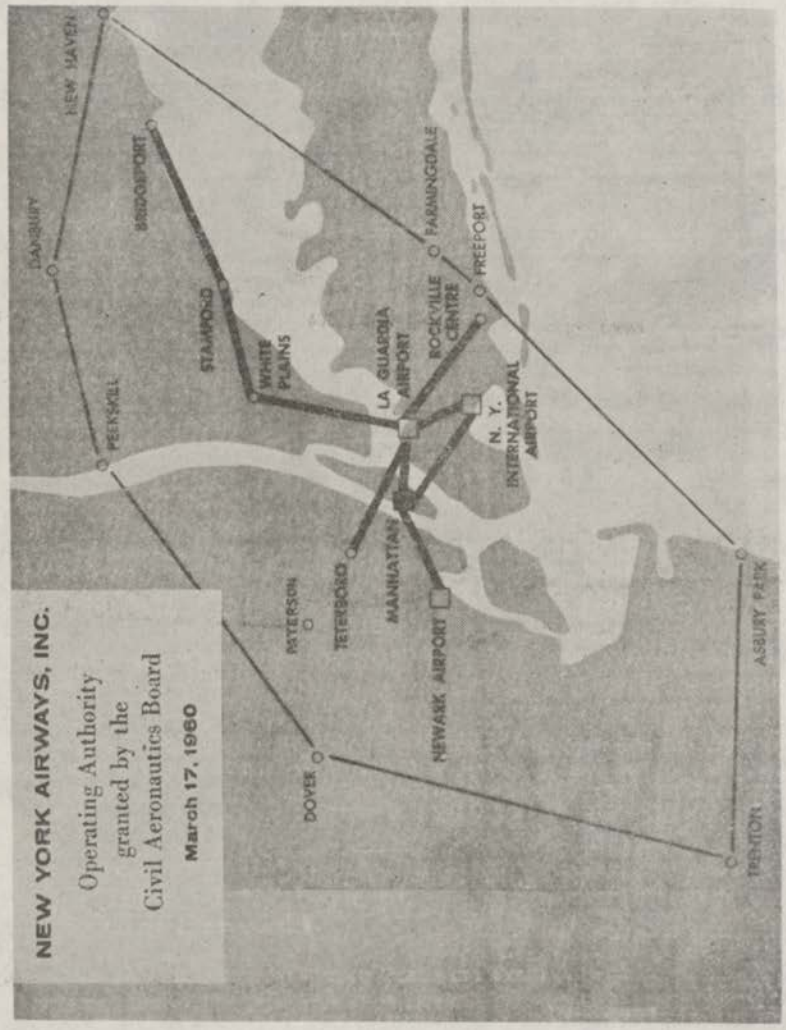
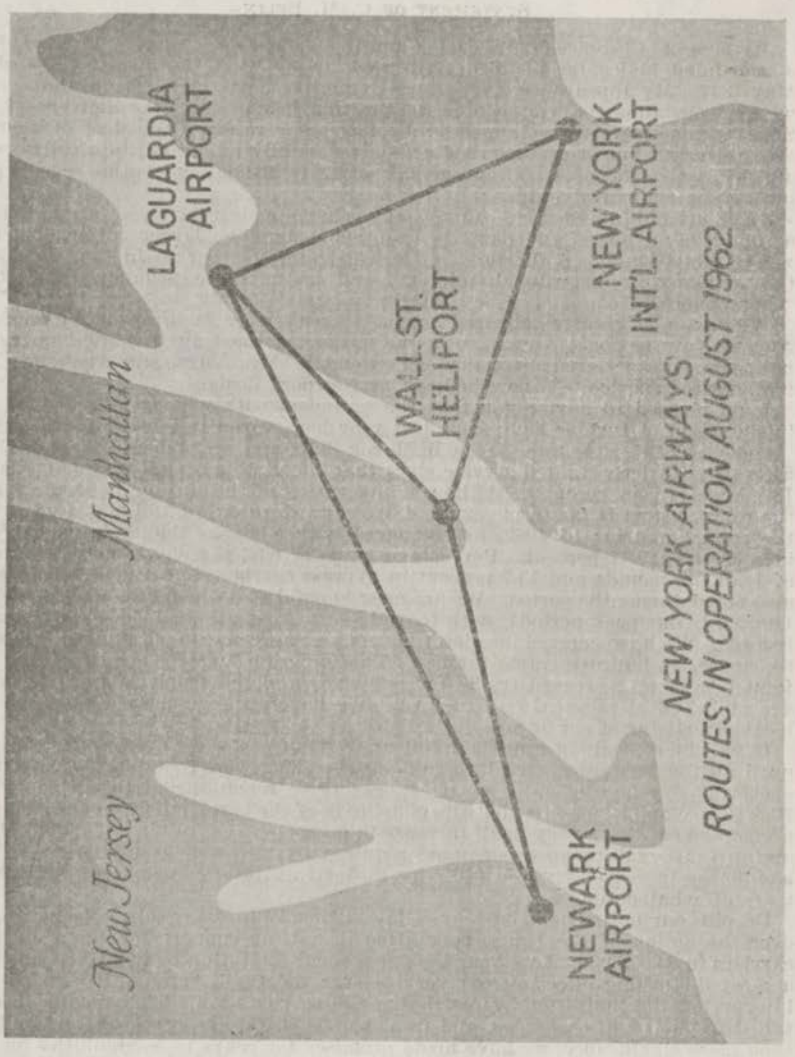

NEW YORK AIRWAYS, INC.
Operating Authority
granted by the
Civil Aeronautics Board
March 17, 1960
NEW HAVEN
DANBURY
BRIDGEPORT
PERKSKILL
STAMFORD
WHITE PLAINS
LA GUARDIA AIRPORT
ROCKVILLE CENTRE
FARMINGDALE
FREEPORT
N. Y. INTERNATIONAL AIRPORT
PATERSON
TETERBORO
MANHATTAN
NEWARK AIRPORT
DOVER
TRENTON
ASBURY PARK

CHART 6


New Jersey
Manhattan
LA GUARDIA AIRPORT
WALL ST. HELIPORT
NEW YORK INT'L AIRPORT
NEWARK AIRPORT
NEW YORK AIRWAYS
ROUTES IN OPERATION AUGUST 1962

PREPARED STATEMENT

Senator ALLOTT. Senator Kuchel has submitted a statement in behalf of Mr. Belinn, Clarence M. Belinn, of Los Angeles Airways, Inc., and it will be incorporated in the record at this time.

(The statement referred to follows:)

STATEMENT OF C. M. BELINN

My name is Clarence M. Belinn. I am president of Los Angeles Airways, Inc., a scheduled helicopter airline certificated by the Civil Aeronautics Board in May 1947. My appearance before your committee today supplements that which we made in June 1961, describing the position just prior to the delivery of the S61L turbine-powered equipment. We have now received the fleet of four of these aircraft, but at present they are only partially integrated into full service and in use over approximately one-half of their ultimate potential service pattern on the companys' routes.

Since my last appearance before you we have made very substantial changes at our general offices and hangars to accommodate the larger equipment; and we have accomplished the most extensive training program in the history of the company in operational, pilotage, and maintenance techniques for these "copterliners."

We have also greatly improved our passenger service facilities at the new Los Angeles International Airport, now the busiest in the United States; upgraded heliports at San Bernardino, Pomona, Glendale, Van Nuys, and Anaheim; and inaugurated service to a new heliport at Newport Beach.

I am pleased to advise you that the optimism with which we projected the introduction of turbine equipment last year has proven to be well founded.

Our first S61L went into service in March 1962; and we have had three of these aircraft in strictly limited service since that time. The fourth was delivered to Los Angeles very recently. Although integration of the turbine helicopters into the route system is far from complete, we carried a total of 18,122 passengers in the second quarter of 1962, as compared with 8,261 in the first quarter—an increase of 119.37 percent. Percentage gains of 6.92 percent in mail to a total of 1,301,762 pounds and 13.7 percent in express carriage to 679,618 pounds were also noted during the period. We are most hopeful that during the next 2 months (normally our peak period), with four aircraft, we shall establish greater traffic records. We have entered into joint advertising agreements with a major domestic carrier to improve traffic further. This program (which, of course, has the joint benefit of increased traffic for ourselves and the trunk carrier) is being accomplished at minimal cost to LAA. We have also commenced some modest local advertising of our own.

It will be difficult to provide a full analysis of cost data on the new aircraft until all four are integrated into full service. However, I can state that actual operating expenses of the aircraft appear to be remaining at predicted levels. It is to be emphasized also that the phasing-in of the turbine helicopters has been accomplished with a very small increase in personnel (mainly in additional pilots and aircraft maintenance personnel required by law, and ground personnel to handle the increased traffic) and with no increase in administrative and executive staff whatsoever.

Despite our optimism, I appear today primarily to express our deep concern over the action of the House committee in cutting support for the helicopter carriers to $4,975,000. Last year's congressional limitation to $6 million has had a most disturbing effect on our service—for the Civil Aeronautics Board has interpreted the limitation by restricting the service level. This results in curtailed frequency of schedules, and frequency is the key to traffic promotion. Of even more significance, we have made promises for years to communities on our routes, and on our proposed routes, that the increased capacity of the S61L will provide service consistent with the need of the area. With the limitation, we are simply unable to do this, since we are confined by a continuous restriction on the level of service we offer. I understand that in the House debate on appropriations

on July 26, 1962, the chairman of the House Appropriations Committee indicated that the proposed reduction in CAB funds would not affect the level of service of the feeder lines. Regrettably, last year's limitation has lowered our service levels and made all service proposals uncertain. A further cut would, frankly, be disastrous. This would simply result in less and less service costing more and more dollars on a unit basis.

We are in a position whereby having obtained (via the guarantee loan procedure) aircraft with substantially greater speed, capacity, and public acceptance, we are unable in effect to achieve the maximum utility from our fleet. Another result of limitation is, of course, the frustration experienced by operator and manufacturer in any planning for the next generation of equipment in attempting to derive a truly efficient VTOL machine.

Last year I outlined to your committee the extraordinary nature of the southern California scene. The picture remains the same. We have rapid population growth, shifting land use, explosive industrial development—all spread over an area as large as some States and with minimal surface transportation. The area encompassed by the Los Angeles "megapolis" now receives a very high percentage of the funds expended nationally for space development. The demand for our service from outlying areas is becoming vocifierous now that the new helicopters are in use.

I believe that we merit increased support during this critical transition period for several reasons.

1. Substantial benefits accrue to the public in suburban areas (some of which are 70 miles away) by their being placed on the airline map at costs far below those necessary to establish an airport. Furthermore, the saving to the taxpayer in eliminating duplication of airways and airport funds is immense considering that LAA offers first-class airline service from an international airport to its own suburban heliports, each constructed at a total cost of approximately $25,000 or less. In fact, some of our communities are now demanding heliports rather than airports.

2. Local service and trunk airlines benefit not only from increased traffic developed throughout the area by LAA; but as the service increases, they may be in a position to drop close-in high-cost stations.

3. The information passed back to the manufacturer from our high-density-type operation will continue to have immense value toward overall savings in military equipment and procedures as we have proved in the past.

Based on the first few months of operation, we have every reason to believe that the S61L will represent that technological breakthrough we have sought since 1947.

Our own company has not received enormous amounts of subsidy. In fact, over 15 years we have received less than some feeder lines obtain in 2 years. Both the CAB and we have projected the downward subsidy trend to commence somewhat after full introduction of twin-turbine equipment. This is still our position. I respectfully urge that support should be restored at least to the $5,850,000 sum proposed by the CAB, and which itself represents a reduction from the $6 million authorized for fiscal 1962. An arbitrary cut below $5 million now will, I believe, condemn us to offering a permanently mediocre service and extend the length of time subsidy will be paid, to an unpredictable date. This would mean an eventual greater expenditure in terms of subsidy dollars. For this to happen just when the operator is capable of moving ahead would be unfortunate in the extreme.

87888 O—62——71

ANNUAL REPORT · 1961

LOS ANGELES AIRWAYS, INC.
LOS ANGELES INTERNATIONAL AIRPORT • 5901 WEST IMPERIAL HIGHWAY
LOS ANGELES 9, CALIFORNIA

1121

LOS ANGELES AIRWAYS, INC.

DIRECTORS

C. M. Belinn
Kenneth W. Dyal
William C. Jordan
Henry C. Judd
James G. Lombardi

OFFICERS

C. M. Belinn	*President*
Martin J. Burke	*Secretary*
John T. Kane	*Vice President, Treasurer, and Assistant Secretary*
Fred W. Milam	*Vice President — Transportation*
Robert P. Hubley	*Vice President — Sales*
E. H. Slingsby	*Assistant Treasurer and Assistant Secretary*
Stephen J. Slade	*Assistant Secretary*

STOCK TRANSFER AGENT

Security First National Bank

AUDITORS

Peat, Marwick, Mitchell & Co.

GENERAL COUNSEL

Burke, Williams and Sorensen

To Our Stockholders, Employees and Friends:

1961 was an eventful year for Los Angeles Airways. In November the company took delivery of its first Sikorsky S-61L helicopter, and as of the date of this report, three of these aircraft have been introduced into revenue service on a partial schedule basis.

In a major expansion move, the company entered into a long term lease with United Airlines for space for passenger and cargo services in the Satellite 7 terminal of the new International Airport. A smooth transition to these new facilities, which include the use of a high speed baggage check-in counter and conveyor system, was accomplished in December. These new ground facilities are as efficient and modern as any located at the major international airports of the world.

Your company also finalized arrangements on a long term lease for an enlarged heliport at Anaheim. Negotiations were commenced for upgrading the San Bernardino, Riverside, and other sites, and for a new heliport at Newport Beach.

Maintenance changes were initiated at the general office and hangars to accommodate the larger equipment, and an extensive training program for the operation and maintenance of the new aircraft was introduced.

In accordance with over-all equipment plans, the company returned to Sikorsky Aircraft the S-62 single turbine helicopter which had been operated for a year on an interim lease basis and consummated the sale of inventory, spares, and one aircraft of the original S-51 Fleet.

Financial

The attached report of Peat, Marwick, Mitchell & Co., certified public accountants, accompanied by our year-end statement of financial position, indicates earnings of .12¢ per share as compared with .35¢ per share on comparable shares in 1960. However, earnings for 1961 are subject to adjustment in accordance with Note 1 to the Financial Statements, while 1960 earnings contained recorded earnings applicable to the year of 1959. An early determination of our final subsidy rates through June 30, 1962 is expected in the next few months.

During the year, the loan agreement with the Bank of America covering the financing of the S-61L re-equipment program was completed and approval was given by the Civil Aeronautics Board for guaranty under the provisions of Federal Law. At the close of the year $645,737.90 had been drawn down on the $2,891,637.00 total loan commitment. As of the date of this report $2,203,763.54 of the loan commitment has been used for the payment of new equipment received. The total capital expenditures for the initial S-61L re-equipment program, to be completed by the middle of this year, will approximate $3,700,000.00 covering flight equipment, related ground equipment and supporting leasehold investments.

As a result of Congressional action in 1961, the Civil Aeronautics Board re-appraised its policy of subsidy support of the helicopter segment of the airline industry. This congressional action had the effect of limiting subsidy support for all three carriers to a maximum of $6,000,000.00 for the fiscal year 1962.

This limitation however, will result in a more realistic apportionment of Federal support for Los Angeles Airways. In a statement concerning new turbine helicopter services and subsidy dated October 27, 1961, following informal conferences with all three helicopter carriers. the Board stated, "there is no apparent basis in fact for a continuation of the disparity in subsidy payments which has existed in the past. With an equal amount of subsidy, all three carriers should have equal opportunities to provide within reasonable limits substantial and adequate public service in their communities."

The cost of the new S61L helicopters and related ground equipment will expand the company's recognized investment base for Civil Aeronautics Board rate-making purposes. This increased investment base will justify a larger allowable return and should yield higher earnings per share after provision for interest on the equipment debt financing.

Regulatory Proceedings

During the year, the company participated in a number of proceedings before the Civil Aeronautics Board and the Federal Aviation Agency. These include the *Pacific Southwest Local Service Case,* in which Los Angeles Airways filed statements to protect certain of its future route proposals, and the *Consolidated Helicopter Mail Rate Proceeding,* in which the company protected its interests with respect to division of subsidy support for the three helicopter carriers.

An intervention was also made in the *Catalina Island Service Investigation Case* in which the company is pressing to retain its authority to serve the Island market with the objective of initiating Catalina operations as soon as a final decision is rendered.

In Federal Aviation Agency matters, management will continue to urge the Agency to revise its unrealistic tendency, which persists to a great degree, of regulating rotary wing operations by fixed wing aircraft standards. This is a matter of particular importance with respect to service with the new helicopters.

Personnel Relations

During the year a contract was consummated with the transportation service employees, represented by the Teamsters Union. Negotiations continued throughout the year towards achievement of a new contract with the Air Line Pilots Association. Your company's management has refused to yield to the unrealistic demands of this union which are patterned in large part either upon proposals made to dissimilar scheduled helicopter operations or upon contracts with fixed-wing carriers having entirely different operations. The demands, in any event, disregard the economic capabilities of Los Angeles Airways.

Outlook

I believe the introduction into service of the multi-turbine equipment is by far the most significant step that your company or any other helicopter operator has taken to this date. This required tremendous effort on the part of a dedicated management and staff, in planning, development and execution, taking into account the necessity to maintain two classes of equipment and services during the transition period. Since the inauguration of S-61 service in March, 1962, your company has had the benefit of approximately three months of limited scheduled service on the new aircraft. I am happy to state that the early experience has been encouraging from the stand-point of general public reaction and passenger acceptance, and our forecasts of traffic have been met most favorably.

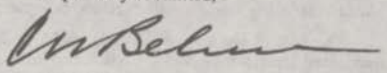
I consider that for the first time in the company's history we now have equipment upon which real appeal to the traveling public and service in mail and cargo volume may be based. The future success of the company will depend substantially upon its ability to vigorously expand and balance its traffic flow.

Since the magnitude of the turbine helicopter program will render use of the S-61 uneconomical at certain stations, revisions of route patterns have already been placed before the Civil Aeronautics Board to bring them more realistically within the scope of the new machine. Your company also intends to press for service to points outside its present certificated area. In addition to this, within the certificated area, Los Angeles Airways is now offering service to Newport Beach. Early action is also expected on Board litigation in which the company is presently engaged reviving its plan, dormant for many years due to equipment limitations, to serve Santa Catalina Island. Plans are also underway to improve scheduling on existing segments through service to three airports within the Los Angeles "megapolis" at Burbank (Lockheed Terminal), Ontario, and Van Nuys.

As can be seen, the delivery of the new equipment poses new problems and yet greater challenges. I have every reason to believe that these will be met and surmounted in the spirit which has made your company the leader in its field since its first day of operation.

Of even greater significance to our stockholders is the fact that earnings prospects for 1962 appear substantially more promising than in previous years.

Respectfully submitted,



C. M. Belinn
President

June 1, 1962

ACCOUNTANTS' REPORT

The Board of Directors
Los Angeles Airways, Inc.:

We have examined the balance sheet of Los Angeles Airways, Inc. as of December 31, 1961 and the related statements of earnings, additional paid-in capital and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The company's accounts have been consistently maintained in accordance with accounting requirements of the Civil Aeronautics Board, which differ in certain respects from those prescribed for Federal income tax purposes. In the absence of a request for permission to use deferred tax accounting, the Civil Aeronautics Board further requires that operations be charged each year with the actual Federal income taxes payable for that year. Generally accepted accounting principles would require that such taxes be computed consistent with the accounting methods used in the accounts, and would further require that the difference between Federal income taxes on the two bases be handled as prepaid or deferred taxes, as the case may be. The effect of this deviation from generally accepted accounting principles with respect to accounting for Federal income taxes is shown in Note 4 to financial statements.

In our opinion, except for the effect of the method used in recording Federal income taxes as described in the preceding paragraph, and subject to the determination of final mail rates for a portion of 1961 as described in Note 1 to financial statements, the accompanying balance sheet and statements of earnings, additional paid-in capital and retained earnings present fairly the financial position of Los Angeles Airways, Inc. at December 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Los Angeles, California
March 22, 1962

Balance Sheet – December 31, 1961

with comparative figures for 1960

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ASSETS

	1961	1960
Current assets:		
Cash	$ 250,695.01	387,601.20
Receivables:		
United States Government	108,716.16	169,677.82
Other	96,549.41	67,033.36
Total receivables	205,265.57	236,711.18
Expendable parts and supplies, at cost	108,606.54	132,558.66
Prepaid expenses:		
Insurance	121,219.77	60,162.32
Other	13,851.97	2,354.74
Total prepaid expenses	135,071.74	62,517.06
Total current assets	699,638.86	819,388.10
Investments, at cost	5,507.56	507.56
Deposits on purchase of equipment (Note 2)	537,406.67	432,050.00
Equipment, at cost:		
Flight equipment (Notes 3 and 5)	1,935,738.15	1,150,826.54
Ground and other equipment	348,602.55	254,680.65
	2,284,340.70	1,405,507.19
Less allowance for depreciation and maintenance of flight equipment	1,061,050.97	1,109,000.26
Net equipment	1,223,289.73	296,506.93
Deferred charges:		
Development and preoperating costs	68,538.34	40,804.17
Past service pension costs (Note 6)	31,055.49	41,407.17
Total deferred charges	99,593.83	82,211.34
	$2,565,436.65	1,630,663.93

See accompanying notes to financial statements.

LOS ANGELES AIRWAYS, INC.

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LIABILITIES

	1961	1960
Current liabilities:		
Current portion of long-term debt	$ 242,200.00	—
Notes payable to bank (Note 3)	449,987.41	225,000.00
Accounts payable	230,487.61	110,920.71
Collections as agent	34,384.80	55,393.55
Accrued expenses	36,524.80	32,067.25
Contribution to pilots' pension plan (Note 6)	10,351.80	22,826.18
Unearned passenger revenue	2,614.29	2,447.19
Federal taxes on income, estimated (Note 4)	55,367.74	120,296.70
Total current liabilities	1,061,918.45	568,951.58
Long-term debt, less $242,200.00 included in current liabilities (Note 5)	403,537.90	—
Liability for past service pension costs, less portion included in current liabilities (Note 6)	22,815.28	31,055.37
Stockholders' equity:		
Capital stock of $1.00 par value per share.		
Authorized 1,000,000 shares; outstanding 389,580 shares (Note 8)	389,580.00	389,580.00
Additional paid-in capital	278,701.00	278,701.00
Retained earnings	408,884.02	362,375.98
Total stockholders' equity	1,077,165.02	1,030,656.98
Commitments (Note 2)		
	$2,565,436.65	1,630,663.93

LOS ANGELES AIRWAYS, INC.

Statement of Earnings

Year ended December 31, 1961 with comparative figures for 1960

	1961	1960
Operating revenue:		
Mail (Note 1)	$1,236,189.30	1,239,576.12
Express	164,887.59	153,674.10
Passenger	248,488.89	228,811.62
Other	1,638.74	7,624.89
	1,651,204.52	1,629,686.73
Operating expenses:		
Flying operations	352,557.98	322,245.99
Direct maintenance	308,438.81	300,727.95
Maintenance burden	147,801.74	139,391.98
General and administrative	691,460.56	604,490.70
Depreciation	60,095.20	73,221.36
	1,560,354.29	1,440,077.98
Operating income	90,850.23	189,608.75
Non-operating income:		
Interest (Note 9)	14,774.99	15,609.99
Other	235.18	442.64
	15,010.17	16,052.63
	105,860.40	205,661.38
Non-operating charges:		
Loss on disposition of property	3,099.01	499.41
Other	885.61	372.21
	3,984.62	871.62
Earnings before Federal taxes on income	101,875.78	204,789.76
Federal taxes on income, estimated (Note 4)	55,367.74	92,896.70
Net earnings	46,508.04	111,893.06
Special credit:		
Additional prior year's mail and express revenue, less applicable income taxes, $27,400.00	—	25,354.96
Net earnings and special credit	$ 46,508.04	137,248.02

Statement of Additional Paid-in Capital and Retained Earnings

Year ended December 31, 1961 with comparative figures for 1960

	1961	1960
Additional paid-in capital:		
Balance at beginning and end of year	$ 278,701.00	278,701.00
Retained earnings:		
Balance at beginning of year	$ 362,375.98	225,127.96
Net earnings and special credit	46,508.04	137,248.02
Balance at end of year	$ 408,884.02	362,375.98

See accompanying notes to financial statements.

LOS ANGELES AIRWAYS, INC.

Notes to Financial Statements

December 31, 1961

Note 1. Mail Revenue.

Mail revenue to July 31, 1961 is recorded at final rates determined by the Civil Aeronautics Board in 1960. During 1961 the company petitioned the Board for a revision of mail rate. On November 21, 1961 the Board issued an order establishing a docketed proceeding for the purpose of determining final subsidy rates subsequent to July 31, 1961. Accordingly, the final rates to be determined may be lower or higher than the temporary rates in effect since that date.

Note 2. Deposit and Commitments.

At December 31, 1961 the company had $537,293.67 on deposit for the future purchase of three helicopters, with a total commitment (including spare engines and other components) of approximately $2,360,000.00. Of the five helicopters originally on order, one was cancelled, one each was delivered in November 1961 and January 1962, and delivery of the remaining two is expected in April and May of 1962. See Note 5 for financing arrangements relating thereto.

Estimated minimum annual rentals under long-term leases (the major one of which expires in 1971) were approximately $40,000.00 at December 31, 1961.

Note 3. Notes Payable and Flight Equipment Pledged.

At December 31, 1961 notes payable to a bank consisted of:

5½% note due March 30, 1962, secured by 5 S-55 helicopters with an aggregate cost of $790,000.00	$150,000.00
5½% note due March 15, 1962, unsecured	227,794.00
Amount to be converted to long-term debt upon the completion of financing arrangements described in Note 5	377,794.00
Insurance premium financing repayable in seven monthly instalments	72,193.41
	$449,987.41

Note 4. Federal Taxes on Income.

The company's Federal income tax returns through 1958 have been examined by the Internal Revenue Service and all additional assessments have been paid.

Depreciation of equipment is provided in the accounts based on rates recognized by the Civil Aeronautics Board which differ from rates allowed for Federal income tax purposes, and provisions for maintenance of flight equipment and certain other charges to operating expenses in 1961 are not deductible for Federal income tax purposes until subsequent years. Accordingly, the provision for Federal taxes on income for 1961 reflects the actual amount payable by the company, and is approximately $8,000.00 more than would have been required if the company recognized prepaid or deferred Federal income taxes. The cumulative unrecorded deferred Federal income taxes at December 31, 1961 amounted to approximately $13,000.00. However, the amounts received as mail revenue from the Civil Aeronautics Board include an allowance for taxes computed in conformity with the basis used for Federal income tax purposes.

Note 5. Long-Term Debt.

In connection with its program for the acquisition of four S-61L aircraft, spare engines and related spare parts and components, the company has obtained a long-term commitment (at 5½% interest) from a bank in the amount of $2,891,637.00, which will be guaranteed by the Civil Aeronautics Board. As of December 31, 1961, the company had borrowed $645,737.90 which is secured by chattel mortgages on one S-61L helicopter and related spare parts. Monthly repayments of principal commence February 28, 1962 in the amount of $11,800.00 and increase to $25,100.00 in June 1962 when the entire commitment will have been borrowed. The maturity date of the loan is November 21, 1971 and payments on principal maturing within one year amount to $242,200.00.

In connection with the agreement relating to the above borrowings, the company has agreed, among other things, to maintain certain minimum working capital (as defined) and stockholders' equity (net worth) requirements. As of December 31, 1961, such minimum requirements imposed restrictions on retained earnings in the amount of $261,650.72.

Note 6. Pension Plan.

Effective in 1960, the company adopted an insured contributory pension plan for all eligible pilots. The cost of this plan, for both current and past services, charged to operating expenses in 1961 amounted to $25,735.84. The entire remaining past service costs as of December 31, 1961, $31,918.13, has been recorded in the company's accounts and will be funded over a three-year period at the annual rate of $10,351.80.

Note 7. Capital Stock Reserved.

In 1961 the stockholders approved a restricted stock option plan for officers and key employees. The plan provides for the granting of options to purchase an aggregate of 38,000 shares or approximately 10% of the total outstanding shares of the company's capital stock, at prices not less than 95% of the fair value of said stock on the dates of granting the options. The options are exercisable in equal instalments over a period of four years, commencing one year from the date of grant. During 1961, options to purchase 33,500 shares at prices aggregating $636,500.00 were granted, and such options were outstanding at December 31, 1961.

Note 8. Recapitalization.

During the year the company changed its authorized capital from 50,000 shares of $10.00 par value stock to 1,000,000 shares of $1.00 par value stock and issued ten new shares for each of the 38,958 old shares previously outstanding. The aggregate par value of the outstanding shares was unchanged.

Note 9. Interest Capitalized.

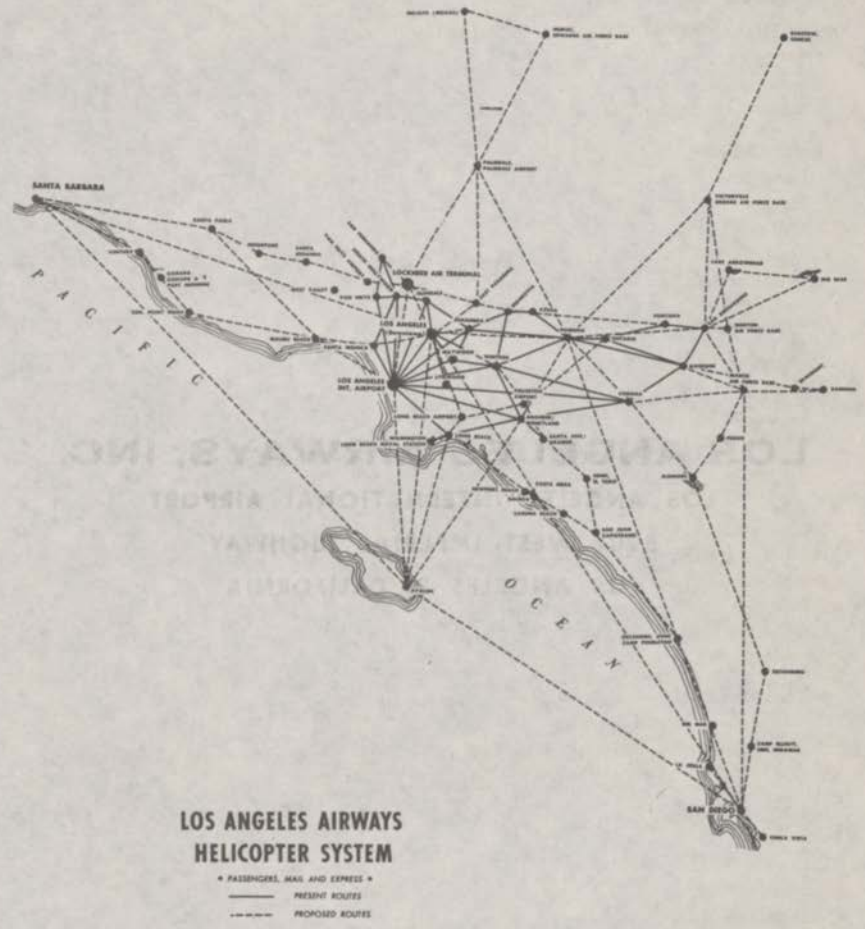
During 1961, the company capitalized interest aggregating $32,179.59 as a cost of acquiring flight equipment. Such capitalization is in accordance with the accounting regulations of the Civil Aeronautics Board and included the capitalization of an increment of interes. income, in the amount of $14,774.99 on company funds deposited on the purchase of flight equipment.

LOS ANGELES AIRWAYS, INC.

Comparative Statistics

	1961	1960	% Change
OPERATIONS AND STATISTICAL SUMMARIES			
Flight Mileage			
Revenue miles flown	668,753	637,698	+ 4.87
Schedule completion factor	85.80%	86.93%	− 1.30
Traffic Carried			
Passengers	41,468	39,184	+ 5.83
Express (lbs)	3,013,948	2,898,000	+ 4.00
Mail (lbs)	5,168,967	5,362,861	− 3.62
Total ton miles	230,168	216,808	+ 6.16
Overall revenue load factor	62.47%	64.34%	− 2.91
Operating Expenses Per Ton Mile	$6.78	$6.64	+ 2.11
Equipment Utilization			
Total hours flown	9,608	9,436	
S-55 (hrs. per calendar day)	4:36	4:55	
S-62 (" " " ")	3:16	:54	
S-61 (" " " ")	—	—	
FINANCIAL SUMMARIES			
Number of stockholders	615	467	
Shares outstanding	389,580	38,958	
Shareholders equity per share	$2.77	(a) $2.65	
Earnings per share	.12	(a) .35	
Balance Sheet Ratios			
Current assets to current liabilities	.65:1	1.44:1	
Shareholders equity to total liabilities	.72:1	1.70:1	
Number of Aircraft			
Sikorsky S-51	1	2	
Sikorsky S-55	5	5	
Sikorsky S-62	—	1	
Sikorsky S-61	1	—	
Number of Employees	135	133	

(a) Adjusted for stock split of 8/11/61.

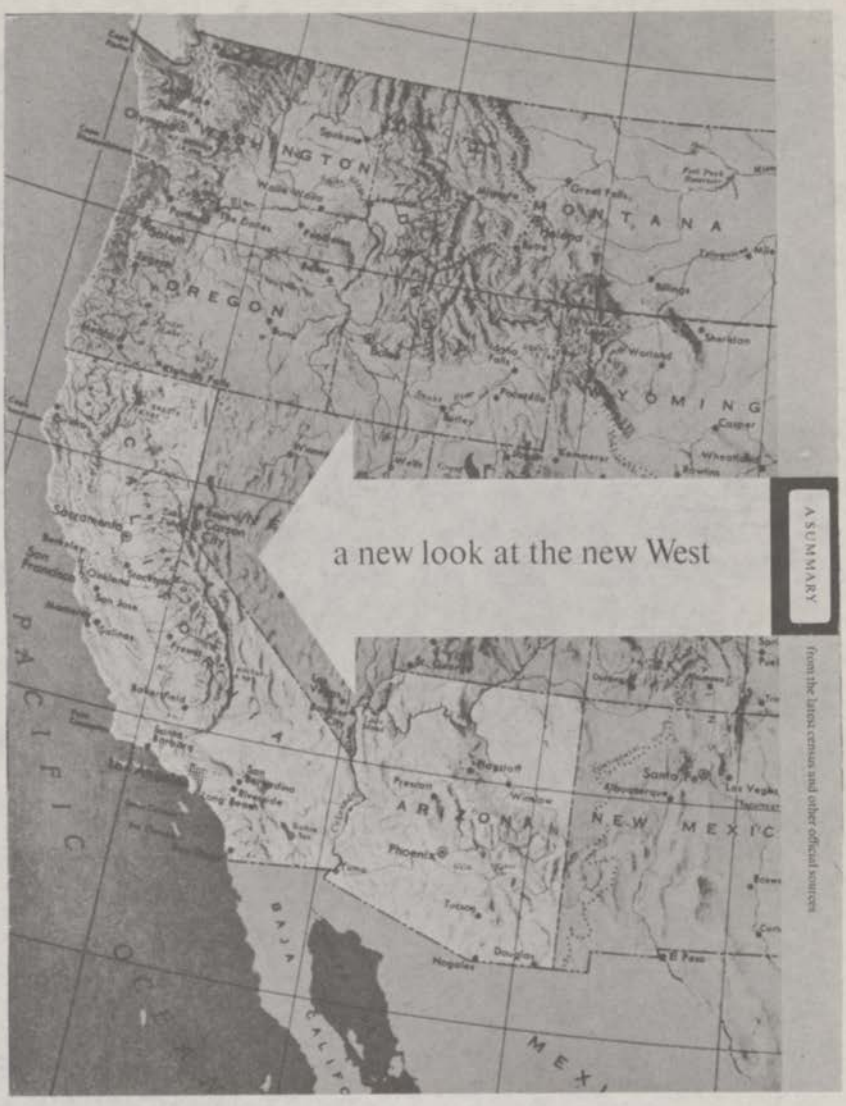

SANTA BARBARA
PACIFIC
OCEAN
LOS ANGELES
LOCKHEED AIR TERMINAL
LOS ANGELES INT. AIRPORT
SAN DIEGO
LOS ANGELES AIRWAYS
HELICOPTER SYSTEM
PASSENGERS, MAIL AND EXPRESS
PRESENT ROUTES
PROPOSED ROUTES

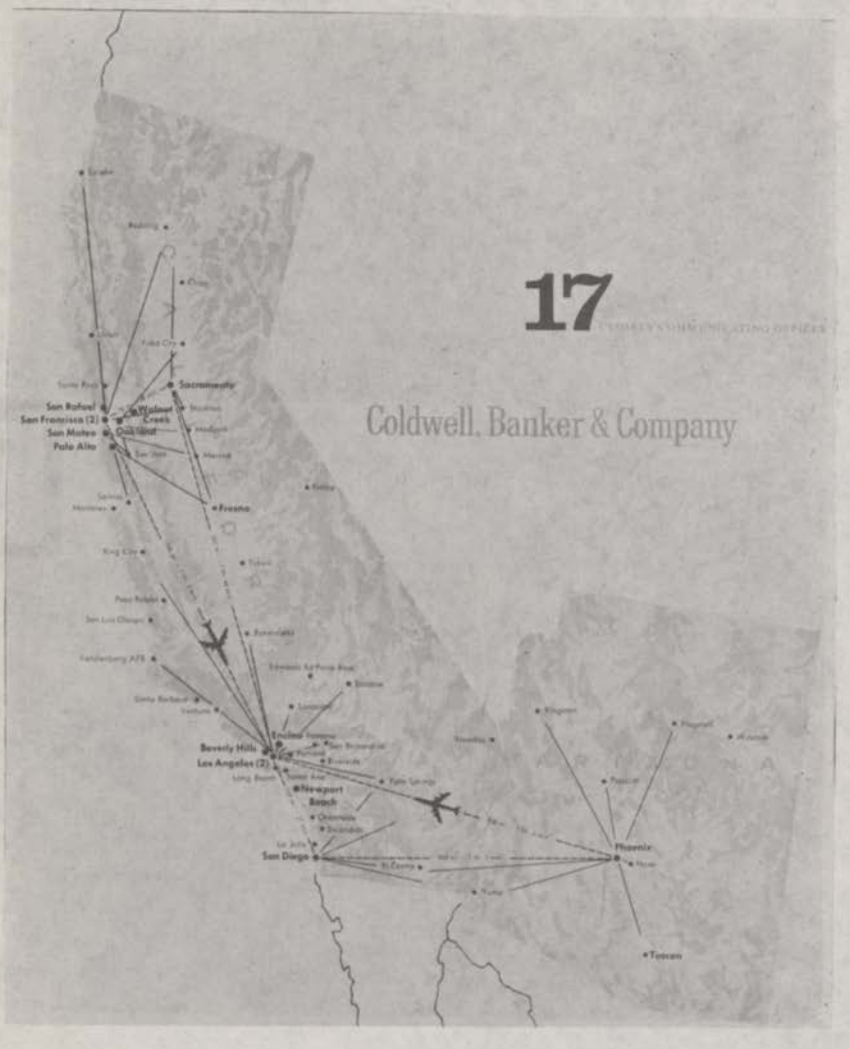
LOS ANGELES AIRWAYS, INC.

LOS ANGELES INTERNATIONAL AIRPORT

5901 WEST IMPERIAL HIGHWAY

LOS ANGELES 9, CALIFORNIA


a new look at the new West
A SUMMARY
from the latest census and other official sources
WASHINGTON
OREGON
MONTANA
WYOMING
NEVADA
ARIZONA
NEW MEXICO
PACIFIC OCEAN
BAJA CALIFORNIA
MEXICO


17
Coldwell, Banker & Company
Sacramento
San Rafael
Walnut Creek
San Francisco (2)
San Mateo
Oakland
Palo Alto
Fresno
Beverly Hills
Los Angeles (2)
Newport Beach
San Diego
Phoenix
Tucson

IN 15 CALIFORNIA AND ARIZONA CITIES, LOCATED IN THE CENTERS OF MOST ACTIVE GROWTH

This booklet is designed as a handy reference for our clients and friends who want to know more about the new West. It is organized for your quick review and includes the latest facts from the most recent Census of Population and Housing as well as that covering Industry and Trade.

The West has always been a growth area, but these facts will reveal that there is a new dimension and significance to the economy of the West. The gains in all activities are becoming progressively greater quantitatively and are being channeled into a few key areas.

We have grown up with the West, having served it continuously since 1906, and in so doing have acquired an intimate knowledge of its development. The West has the basic ingredients to flourish in the Space Age, and it is well on its way toward playing an ever greater role in America's progress.

It is hoped this booklet will contribute toward a better understanding of the West and its current and developing economic importance.

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POPULATION

THE TREND OF POPULATION in the United States has consistently been Westward. As the Chart at right illustrates, at no time in 100 years of record has the population of the West failed to grow relatively faster than other large regions of the country.

THIS LONG-TIME TREND is well known to most of us, but two significant points are often overlooked and need emphasis. They are:

1. The *rate* of growth has not changed much, but the *number* of people involved in the population increases of the West is becoming progressively greater and dwarfing past records. In the ten years from 1950 to 1960 the West gained as many people as it had gained in the 50 years prior to 1920. Recent numerical increases in the West are many times greater than in the busiest gold rush days.

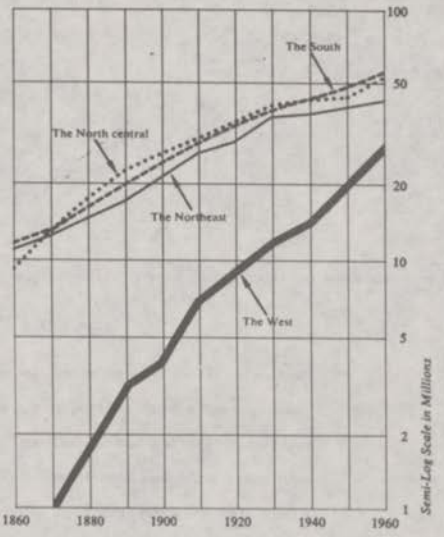
The point is that the Western movement is much more significant today than it has ever been, simply because a much greater *number* of people is involved.

2. The growth of population in the West has by no means been uniform throughout the region but has been concentrated in a few key states. Since 1910 the population center of the United States has been shifting *south*westerly – not due west.

The trend of growth within the West is toward California, Arizona, Nevada and New Mexico. Colorado and Utah have been showing good growth, but the other Western states have been gaining population at only a modest rate.

The channeling of Western growth into a few areas has greatly enlarged the economic importance of California and Arizona. These two states now represent over 60% of the West's population and currently account for three-fourths of the population *growth* in the eleven states comprising the "West."

The 100-Year Trend Population by Regions

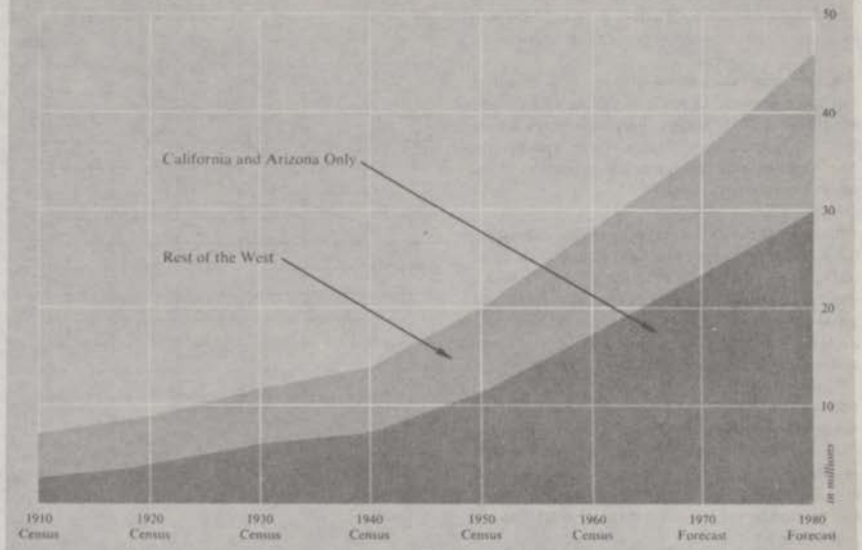


Another Aspect of The West's New Importance

Membership in the House of Representatives			
	1940	1950	1960*
California	23	30	38
Arizona	2	2	3
Total	25	32	41
Rest of West	24	25	28**
Rest of U.S.	386	378	366
Total U.S.	435	435	435
% in West	11.3%	13.1%	15.9%

*The new apportionment indicated by census results
**Includes Alaska & Hawaii

Population in The West The Past and Probable Future in millions



The Record

	The West*	West as % of U.S.	California	Arizona	Calif.-Ariz. as % of West	Calif.-Ariz. as % of U.S.
1900 Census	4,309,000	5.7%	1,485,000	123,000	37.3%	2.1%
1910 Census	7,082,000	7.7	2,378,000	204,000	36.5	2.8
1920 Census	9,214,000	8.7	3,427,000	334,000	40.8	3.5
1930 Census	12,324,000	10.0	5,677,000	436,000	49.6	5.0
1940 Census	14,379,000	10.9	6,907,000	499,000	51.5	5.6
1950 Census	20,190,000	13.3	10,586,000	750,000	56.1	7.5
1960 Census	28,053,000	15.6	15,717,000	1,302,000	60.7	9.5
The Probable Future:						
1970	36,000,000	16.8	21,000,000	2,000,000	63.9	10.8
1980	46,000,000	17.7	27,300,000	2,700,000	65.2	11.5

Source: U.S. Census reports except 1970-80 data which are forecasts by Wilbur McCann, based on past projections by the Census Bureau and other agencies adjusted for changes revealed by the results of the 1960 Census.

*"The West" as used in this booklet includes these 11 Western States: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington & Wyoming; and for population statistics only it also includes Alaska and Hawaii. For all other information in this booklet Alaska and Hawaii have not been included, as comparable and complete statistics are not available.

THE CHARTS at right show how the West has grown in relation to the U.S. and how California and Arizona have become an ever larger part of the West. Note how both of these trends have accelerated in recent years.

THE WEST now has a population in excess of 28 million and this is expected to reach 36 million by 1970 and 46 million by 1980. Many population analysts believe the actual population will exceed these expectations. The West now accounts for well over one-fifth of the nation's population growth.

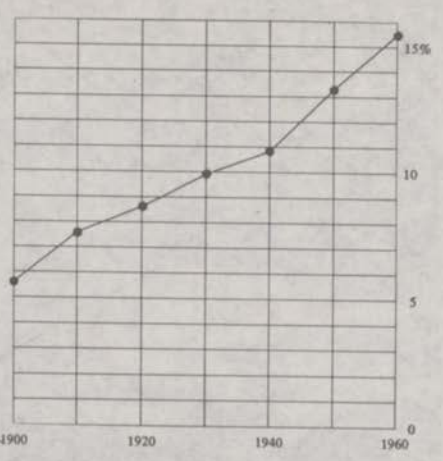
THE CHART at the top of the opposite page dramatizes the differences in the *quantitative* population gains taking place in the individual Western States. California dwarfs the other states with an average daily gain of 1,400 persons. While small compared to California, Arizona's numerical gain leads the other Western States and exceeds many states much larger in population.

THE CHART at bottom of opposite page shows how the numerical population gains have increased over the years and how California and Arizona have received an ever larger share of this growth. Daily population gains in the West have increased from less than 600 in the '30's, to nearly 1,600 in the '40's and to 2,150 in the past decade.

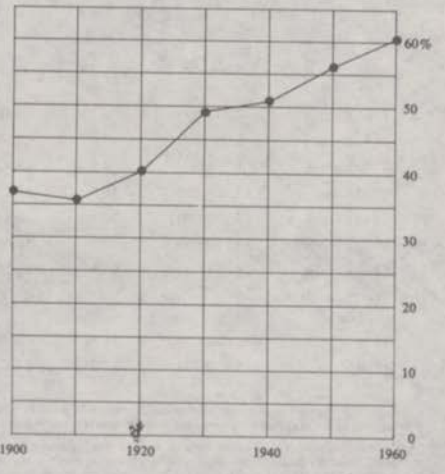
By way of comparison, average daily population gains since the 1950 Census in other states with the largest increases were:

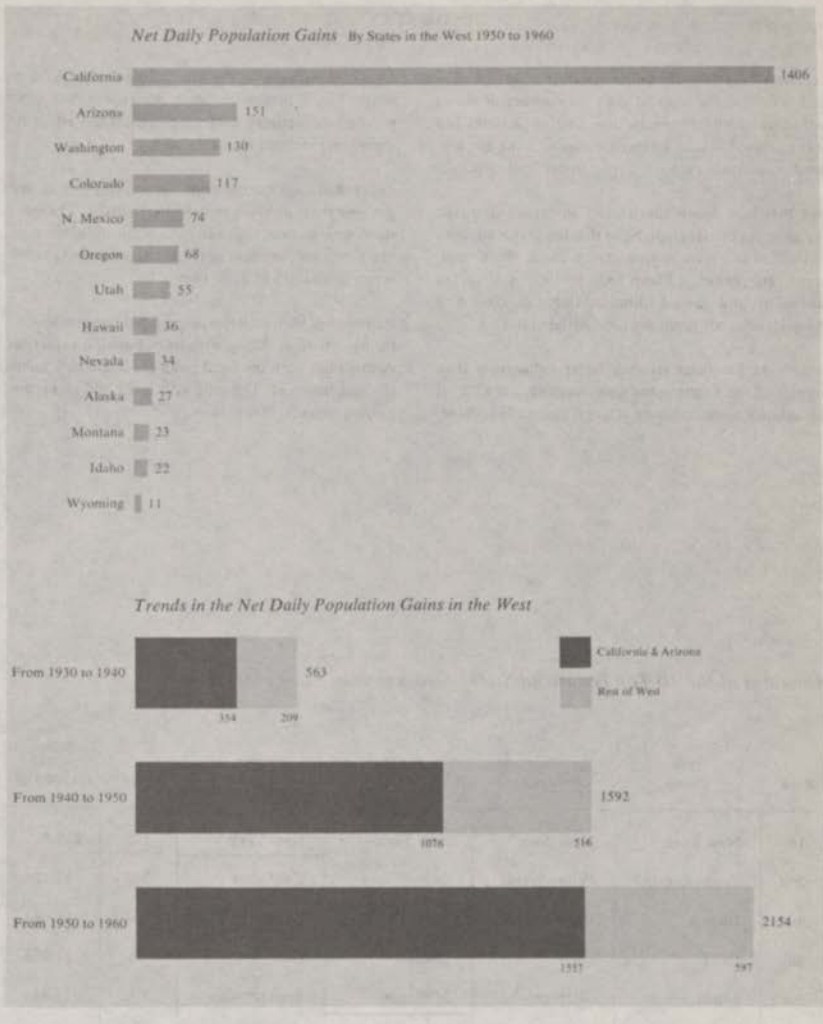
Florida	597
New York	535
Texas	512
Ohio	482

The West as a % of the United States



California & Arizona as a % of the West




Net Daily Population Gains By States in the West 1950 to 1960
California 1406
Arizona 151
Washington 130
Colorado 117
N. Mexico 74
Oregon 68
Utah 55
Hawaii 36
Nevada 34
Alaska 27
Montana 23
Idaho 22
Wyoming 11
Trends in the Net Daily Population Gains in the West
From 1930 to 1940
563
354
209
From 1940 to 1950
1592
1076
516
From 1950 to 1960
2154
1557
597
California & Arizona
Rest of West

INDUSTRY

CALIFORNIA is now officially the nation's No. 2 Industrial State. On the basis of both the number of plants and value added by manufacture, California ranks 2nd only to New York. In terms of manufacturing employment, California ranks 3rd, just under Pennsylvania.

THE DIAGRAM below illustrates California's dramatic rise as an industrial giant. Note that the major advance in California's relative importance came about comparatively recently. From 1954 to 1958, California moved up and passed Illinois, Michigan, Ohio and Pennsylvania, all prominent industrial states.

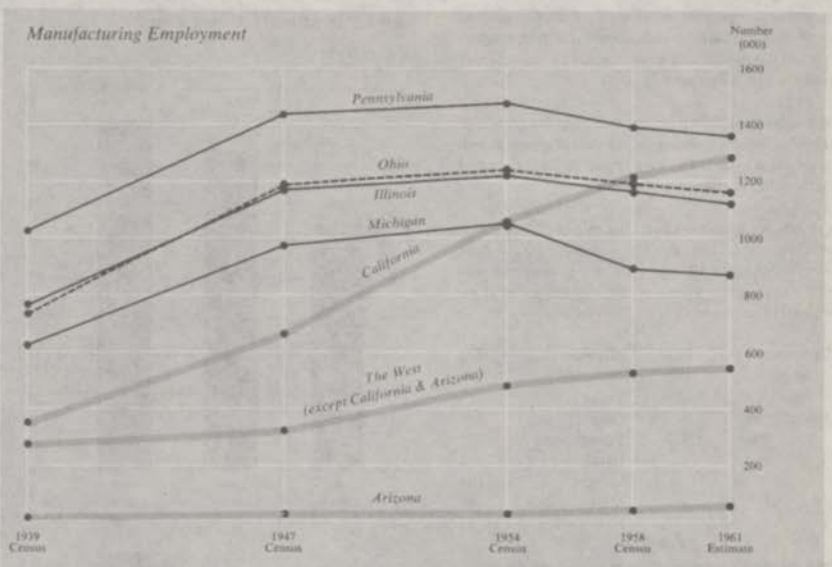
THE WEST has been growing faster industrially than the rest of the country and now accounts for 12% of the nation's manufacturing activity. Since 1954, industrial employment in the West has been growing by nearly 40,000 persons per year; whereas in most other parts of the country such employment has either declined or remained about the same.

CALIFORNIA & ARIZONA continue to represent an ever growing share of Western industrial activity. These two states now account for nearly three-fourths of the manufacturing employment in the West, compared to 69% seven years ago and 57% twenty-two years ago.

Arizona has been experiencing a rapid rise in manufacturing activities. Along with its population explosion, Arizona has been the focal point for much new industrial development. The state now has 1,200 plants employing some 50,000 persons.

Rankings of the 10 Top Industrial States – Based on Value Added by Manufacture

Rank	1939 Census	1947 Census	1954 Census	1958 Census	Rank	Value Added in 1958 ($1,000,000)
1st	New York	New York	New York	New York	1st	$15,892
2nd	Pennsylvania	Pennsylvania	Ohio	California	2nd	12,124
3rd	Illinois	Illinois	Pennsylvania	Illinois	3rd	11,664
4th	Ohio	Ohio	Illinois	Ohio	4th	11,473
5th	Michigan	Michigan	Michigan	Pennsylvania	5th	11,448
6th	New Jersey	New Jersey	California	Michigan	6th	8,364
7th	Massachusetts	California	New Jersey	New Jersey	7th	7,499
8th	California	Massachusetts	Indiana	Indiana	8th	5,478
9th	Indiana	Indiana	Massachusetts	Massachusetts	9th	5,159
10th	Connecticut	Wisconsin	Texas	Texas	10th	5,045



Sources: U. S. Census of Manufactures Reports except for 1961 which are estimates by Wilbur McCann based on Bureau of Labor Statistics monthly reports.

The Record of Employment in Manufacturing

	The West	West as % of U.S.	California	Arizona	Calif.-Ariz. as % of West	Calif.-Ariz. as % of U.S.
1939 Census	638,000	6.5%	357,000	8,000	57.2%	3.7%
1947 Census	1,056,000	7.4	664,000	14,000	64.2	4.7
1954 Census	1,572,000	9.8	1,053,000	26,000	68.6	6.7
1958 Census	1,787,000	11.2	1,211,000	41,000	70.1	7.8
1961 Estimate	1,850,000	12.0	1,285,000	50,000	72.2	8.4
Manufacturing Employment Gains per year from:						
1939 to 1947	52,250		38,400	750		
1947 to 1954	73,700		55,600	1,700		
1954 to 1961	39,700		33,100	3,400		

Source: U.S. Census of Manufactures Reports except for 1961 which are estimates by U. S. Dept. of Labor.

THE WEST, according to the most recent Census, has some 46,000 industrial establishments, with an employment of 1.8 million and a value added by manufacture near the $18 billion mark.

THE CHARTS at right illustrate the industrial growth of the West both in terms of the number of plants as well as by value added. The share going to California and Arizona has continued to rise.

CALIFORNIA & ARIZONA had a net gain of 11,300 industrial plants from 1947 to 1958, and over 4,000 of these were added in the 1954 to 1958 period. A comparison of the average net gains *per year* in the number of industrial plants from 1947 to 1958 follows:

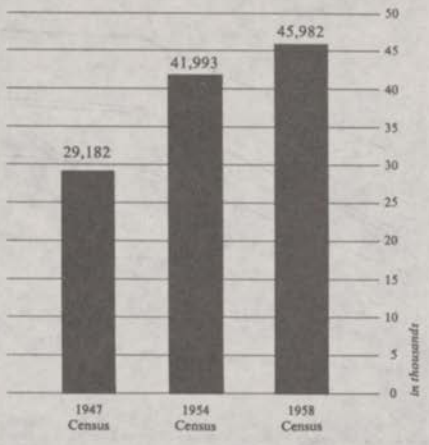
California	971	Michigan	322
Arizona	55	New Jersey	296
Total	1,026	Texas	292
Rest of West	501	Ohio	239
Total West	1,527	Pennsylvania	204
		Illinois	192
		Indiana	104
		Massachusetts	80
		New York	64

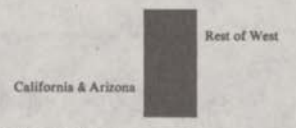
THE CHART on the opposite page shows how the major groups of industry in the West are heavily concentrated within California and Arizona. Note the high degree of concentration in the more specialized fields such as Electrical Machinery, and Instruments which embrace the electronic industry.

THE REAL IMPORTANCE of California-Arizona in the new industrial structure of the West is not fully portrayed here as the statistics are for major groupings of industry. For many specific products virtually *all* of the manufacturing activities are centered within these two key states. A few examples of specific items that are produced in the California-Arizona area to the virtual exclusion of other parts of the West are:

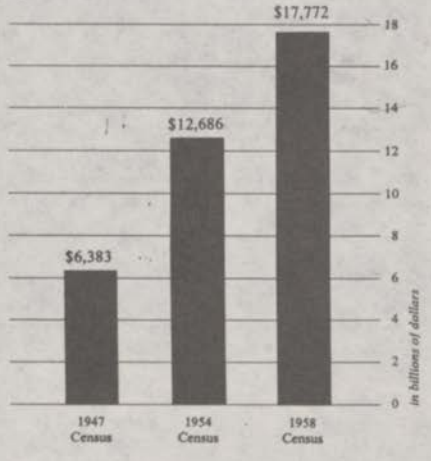
Printing Ink	Cosmetics
Switchgear	Nuts, Washers, & Rivets
Screw Machine Products	Optical Instruments
Transformers	Metal Furniture
Women's Dresses, Suits	

Number of Manufacturing Plants In the West

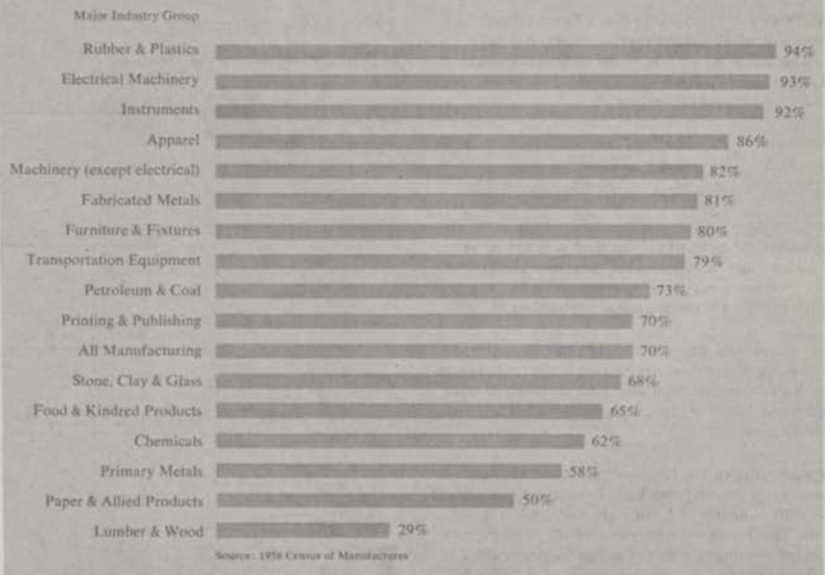




Value Added By Manufacture in the West



Manufacturing Employment in California and Arizona Combined as a Percent of the 11 Western States



Source: 1958 Census of Manufactures

The Record Employment by Type of Manufacturing—1958 Census

	The West	West as % of U. S.	California & Arizona	California Arizona as % of West
Transportation Equipment	348,000	22.3%	274,800	79.0%
Food & Kindred Products	253,300	14.9	163,400	64.5
Lumber & Wood Products	187,500	32.3	54,400	29.0
Fabricated Metals	106,800	10.1	86,700	81.2
Machinery (except electrical)	99,600	7.4	81,700	82.0
Primary Metals	89,200	8.1	51,400	57.6
Printing & Publishing	95,400	11.0	67,100	70.3
Electrical Machinery	94,600	8.4	87,900	92.9
Apparel & Related Products	68,300	5.8	58,600	85.8
Stone, Clay & Glass Products	63,400	11.4	43,400	68.5
Chemicals & Allied Products	53,300	7.6	33,300	62.5
Paper & Allied Products	49,400	8.9	24,700	50.0
Furniture & Fixtures	35,300	10.1	28,200	79.9
Petroleum & Coal Products	28,400	15.9	20,800	73.2
Rubber & Misc. Plastics	25,500	7.3	24,000	94.1
Instruments & Related Products	20,200	6.8	18,500	91.6
All Other Operating Manufacturing	132,900	13.3	103,900	78.2
Administrative & Auxiliary	35,900	6.3	29,200	81.3
Total Manufacturing	1,787,000	11.2%	1,252,000	70.1%

Source: 1958 Census of Manufactures

CONSTRUCTION

CALIFORNIA is the Nation's No. 1 Construction State. The value of all construction contracts has been exceeding that of New York, the No. 2 State, by well over $1 billion annually from 1955 to 1960. The comparative values for 1960, in billions were:

California	$5.0	Texas	$2.0
New York	3.7	Ohio	1.9
Illinois	2.1	Florida	1.4

ARIZONA has also been participating heavily in the rising construction activity of the West. The annual value of construction in Arizona has been near the $½ billion level in recent years, exceeding that of 20 other states, many with much greater populations.

THE CHART AND RECORD at right show the sharp rise of housing in the West. In the past ten years (1950 to 1960) the West has added over 3 million dwelling units, with some 2 million of the net gain going to California and Arizona.

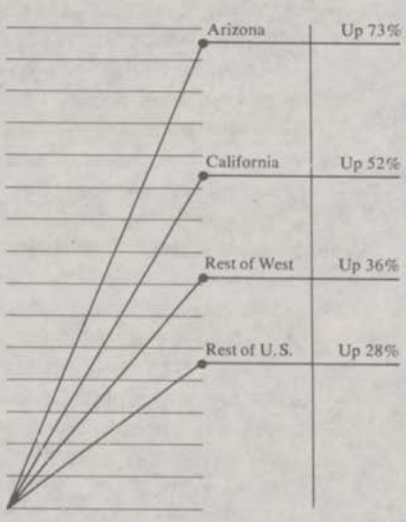
NEW DWELLING UNITS* constructed (on the basis of permits) in recent years have been averaging about 200,000 annually in California and 20,000 in Arizona. This represents nearly one-fourth of all the new housing construction in the nation at recent rates of building.

ENGINEERING TYPE OF CONSTRUCTION has also shown enormous growth in the West. At the end of World War II such construction activity in California and Arizona averaged about $½ billion annually, but it is now approaching the $3 billion level. (See bottom right for 1961 values.)

OFFICE BUILDING CONSTRUCTION in the West has increased sharply in recent years, particularly in larger facilities for national and regional headquarter purposes. Complete statistics are not available, but local data indicate a marked increase in the construction of large office buildings in the major metropolitan centers of the West.

*A "Dwelling Unit" is any place that people use as separate living quarters. A single family home is one unit, a duplex is two units, a six unit apartment is six units, etc. Trailers and boats only count when they are being regularly used as living quarters. From 1950 to 1960 the Census Bureau made some technical alterations in the definition and changed the name from "Dwelling Unit" to "Housing Unit." However, the validity of the statistics was not impaired, and in the interest of simplicity the original term "Dwelling Unit" is used in this booklet.

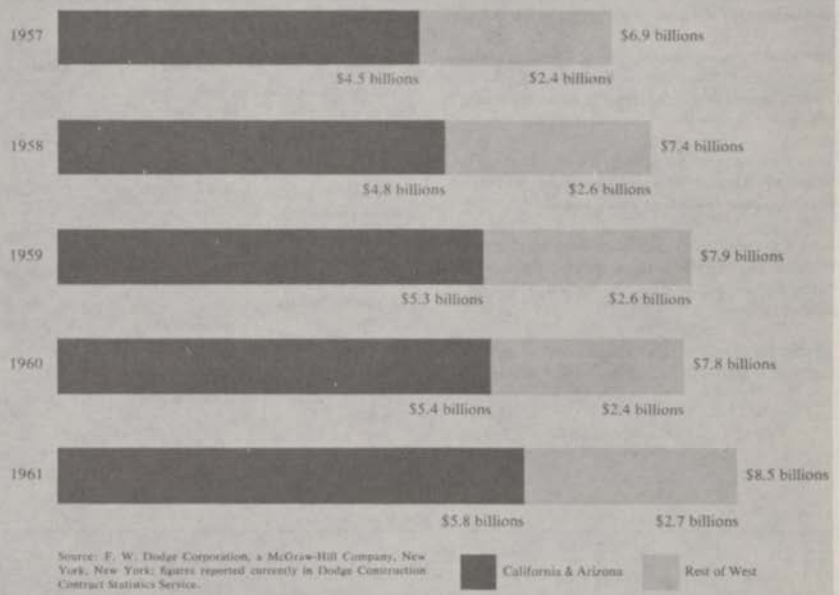
1950 to 1960 % Increase in Number of Dwelling Units



The Dwelling Unit Record

	1950 Census	1960 Census	10 Year Increase
Arizona	240,700	415,800	175,100
California	3,590,700	5,464,800	1,874,100
Total	3,831,400	5,880,600	2,049,200
Rest of West	2,701,400	3,675,800	974,400
Total West	6,532,800	9,556,400	3,023,600
Rest of U.S.	39,450,600	48,534,600	9,084,000
Total U.S.	45,983,400	58,091,000	12,107,600

Value of All Construction in the West



Source: F. W. Dodge Corporation, a McGraw-Hill Company, New York, New York; figures reported currently in Dodge Construction Contract Statistics Service.

Value of Engineering Construction Contracts Awarded—1961

	The West	West as % of U.S.	California & Arizona	California & Arizona as % of West
Private Commercial	$1,252,000,000	16.4%	$ 955,000,000	76.3%
Private Industrial	395,000,000	14.0	267,000,000	67.6
Public Works—Buildings	747,000,000	21.8	512,000,000	68.5
Public Works—Streets & Roads	699,000,000	18.8	392,000,000	56.1
Public Works—Other	653,000,000	24.1	387,000,000	59.3
Unclassified	416,000,000	24.7	199,000,000	47.8
Total	$4,162,000,000	18.9%	$2,712,000,000	65.2%

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RETAIL TRADE

RETAIL SALES in the West now total approximately $37 billion annually, of which some $25 billion or 67% is centered in the California-Arizona area.

THE WEST now accounts for 17% of the nation's retail sales volume and its share has been growing over the years as the population and spending power continually have moved upward.

RETAIL SALES GAINS in the West have been averaging better than $1½ billion annually, and over $1 billion of this has been in California and Arizona.

RETAIL SPENDING per capita in the West is higher than in the country as a whole, largely due to the absence of extremely low-income areas and the generally higher level of incomes.

THE DISTRIBUTION of retail sales by type of outlet in the West is similar to that of the country as a whole, except for a slightly higher proportion of sales in Gasoline Stations and Automotive categories. Sales by type of outlet according to the 1958 Census were:

	The West	California-Arizona
Food Stores	$8,109,000,000	$5,280,000,000
Automotive Dealers	5,610,000,000	3,498,000,000
General Merchandise	3,556,000,000	2,215,000,000
Eating & Drinking	2,732,000,000	1,844,000,000
Gasoline Service Stations	2,642,000,000	1,659,000,000
Lumber, Building Material, Hardware	2,324,000,000	1,306,000,000
Furniture, Furnishings, Appliances	1,845,000,000	1,290,000,000
Apparel & Accessories	1,796,000,000	1,255,000,000
All other	4,814,000,000	3,013,000,000
Total Retail Sales	$33,428,000,000	$21,360,000,000

WHOLESALE TRADE

THE WEST in the past has not been strong in Wholesaling activities, except in its own raw material categories. However, in recent years Wholesaling has taken on a new significance in the West. The growing population and expanding industries have broadened the opportunities for wholesale operations.

WHOLESALE TRADE volume in the West now totals about $50 billion annually, of which $33 billion or two-thirds is transacted within the California-Arizona area.

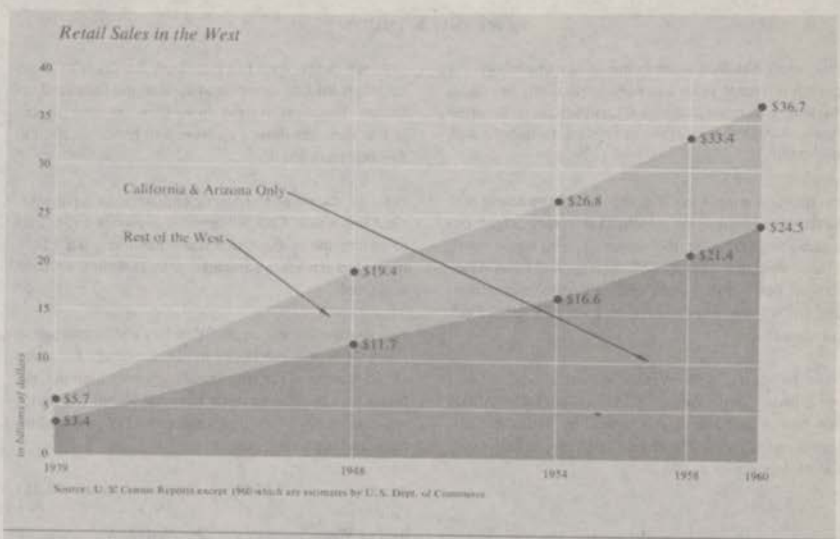
CALIFORNIA & ARIZONA alone have about 26,000 establishments engaged in Wholesaling, of which more than 18,000 are classed as Merchant Wholesalers, being primarily engaged in Wholesaling functions for others.

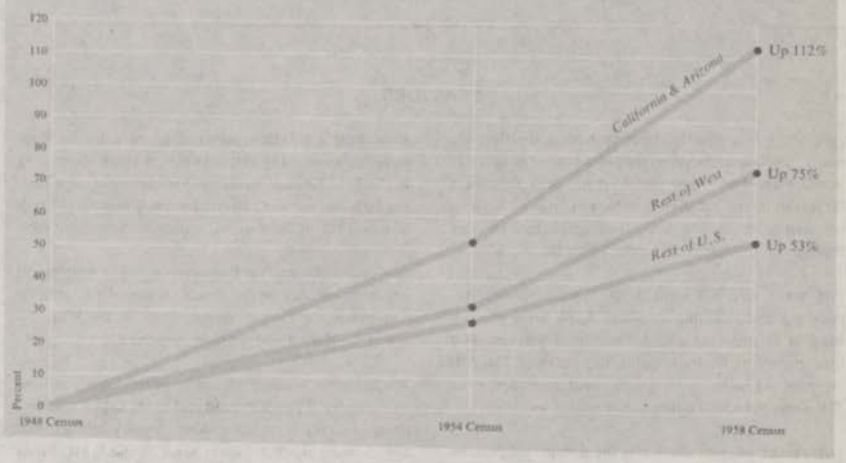
THE WEST now accounts for 15% of the nation's Wholesale Trade volume and this proportion is moving up sharply as Western sales continue to rise faster than sales in other parts of the country. See the chart at right for relative changes.

The Census Record

of Wholesale business is as follows:

	The West	California	Arizona
1939 Census	$ 6,138,000,000	$ 3,840,000,000	$ 96,000,000
1948 Census	20,956,000,000	12,398,000,000	404,000,000
1954 Census	30,164,000,000	18,617,000,000	776,000,000
1958 Census	41,353,000,000	25,906,000,000	1,214,000,000


Retail Sales in the West
40
35
30
25
20
15
10
5
0
In billions of dollars
California & Arizona Only
Rest of the West
$5.7
$3.4
$11.7
$19.4
$16.6
$26.8
$21.4
$33.4
$24.5
$36.7
1939
1948
1954
1958
1960
Source: U. S. Census Reports except 1960 which are estimates by U. S. Dept. of Commerce


Relative Changes in Wholesale Trade Volume
Percent Change Since 1948 Census
120
110
100
90
80
70
60
50
40
30
20
10
0
Percent
California & Arizona
Rest of West
Rest of U.S.
Up 112%
Up 75%
Up 53%
1948 Census
1954 Census
1958 Census

BANKING & INCOME

THE WEST has long since come of age financially. Its growth in recent years has been particularly strong in Banking, Insurance, Savings & Loan activities, Security business and other operations relating to finance and investment.

CALIFORNIA & ARIZONA together now have nearly 600 banking institutions of which 23 are very large* organizations, including the nation's largest single bank. These two states also have 250 Savings and Loan Associations, 600 Security and Commodity Brokerage firms, and 1,600 Insurance Carriers, including 24 very large* companies.

BANK DEPOSITS in the West now total $37 billion and are growing at the rate of $2 billion annually. About $26 billion or 70% of this is held by banks in California and Arizona. The chart at right depicts the rapid rise of deposits in the West.

*with over 500 employees

INCOME in the West has increased sharply with rising employment and expanding business and industrial activities. The chart at right shows how personal income in the West has moved up from $10 billion in 1940 to $68 billion in 1960.

INCOME GAINS in California and Arizona have averaged more than $2.5 billion annually since 1950. Personal income in these two states has increased 124% in the last ten years compared with 76% in the nation as a whole.

PER CAPITA income in the West has also continued to rise and now exceeds the national average by about 10%. Income per person has always been high in California, ranking consistently near the top of the major states in recent years. The 1960 record of personal income per capita follows:

Arizona	$2,011	The U.S. Average	$2,223
California	2,741	New York	2,789
Rest of West	2,026	Pennsylvania	2,266
Average West	$2,438	Illinois	2,613

SERVICES

THE WEST was heavily dependent upon the East for many specialized business and management services in the early days. Now the West not only supplies a larger share of its own needs, but many Western oriented firms are providing their specialized services throughout the nation and indeed over the World.

THE WEST now has some 5,800 firms supplying Accounting and Auditing Services; 3,200 firms specializing in Engineering and Architectural Services; 800 firms providing Business Consulting Services; 750 Advertising Agencies; 600 Employment Agencies; over 350 Research and Testing Laboratories, etc.

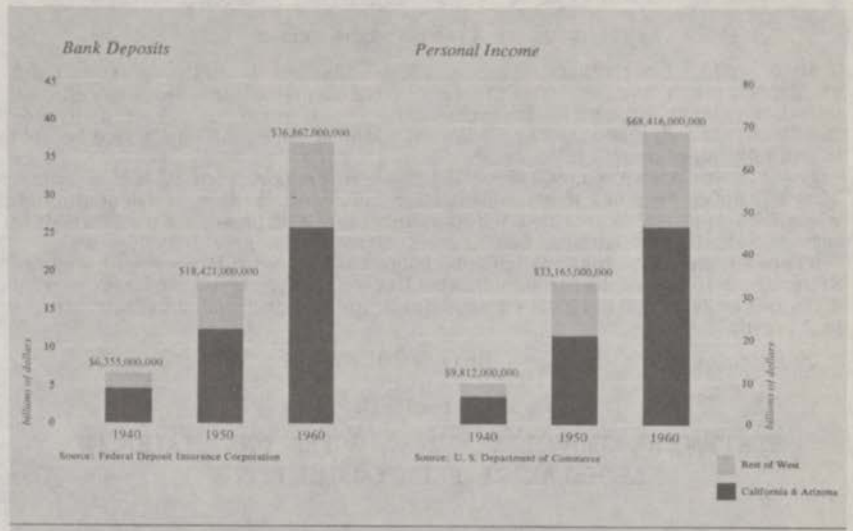
THE CHART at right illustrates the number of persons employed in these various activities in the West. Note the high degree of concentration of many of the service operations in California and Arizona.

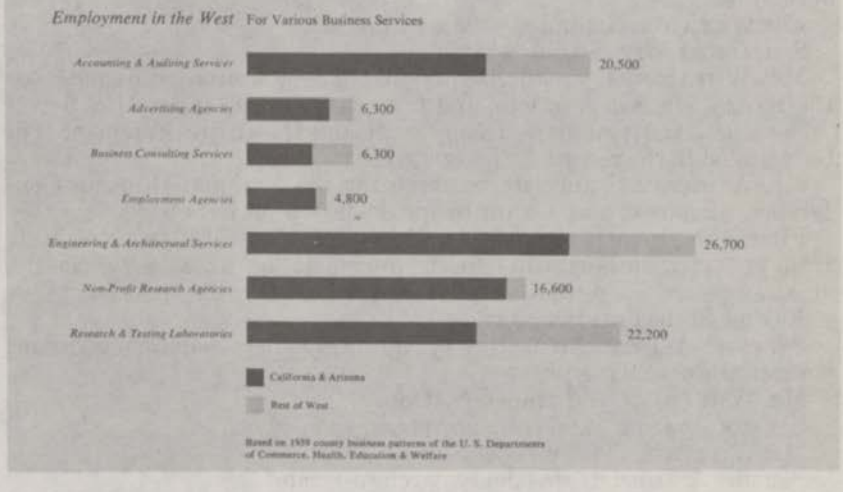
RESEARCH & DEVELOPMENT operations in the West have been especially active in recent years. According to the 1958 Census, Research, Development, and Testing Laboratories in California alone grossed $142 million or 19% of the national outlay for these activities.

THE NATION'S leading Engineering and Architectural organizations are to be found in the West, notably California. Of 76 such major* firms in the West, 57 are in California and 4 are in Arizona.

ADVERTISING AGENCY BILLINGS in the West continue to rise as local needs expand and more national advertising is directed from the West. Agency billings now approximate the $½ billion mark in the West. From 1954 to 1958 (the latest Census measurement) agency billings increased 70% in the West and 35% in the rest of the country.

*with over 50 employees


Bank Deposits
billions of dollars
$6,355,000,000
$18,421,000,000
$36,867,000,000
1940
1950
1960
Source: Federal Deposit Insurance Corporation
Personal Income
billions of dollars
$9,812,000,000
$33,165,000,000
$68,416,000,000
1940
1950
1960
Source: U. S. Department of Commerce
Rest of West
California & Arizona


Employment in the West For Various Business Services
Accounting & Auditing Services
20,500
Advertising Agencies
6,300
Business Consulting Services
6,300
Employment Agencies
4,800
Engineering & Architectural Services
26,700
Non-Profit Research Agencies
16,600
Research & Testing Laboratories
22,200
California & Arizona
Rest of West
Based on 1959 county business patterns of the U. S. Departments of Commerce, Health, Education & Welfare

[From the Glendale (Calif.) News-Press, July 3, 1962]

LAND VALUE, NOISE PROHIBITING AIRPORT

HELIPORTS ANSWER NEEDS BETTER

Mellon said, "I can't imagine anyone condemning residential property to build an airport, much less industrial property." He sees Glendale's needs as fullfilled by other private airports in the area and through augmentation of helicopter facilities. The city now has one heliport. Mellon hopes the city would be able to build five more someday.

Los Angeles Airways now serves the 3½-acre heliport with 12 flights a day. The helicopter firm has a seven-passenger helicopter landing at Glendale and, when FAA approval is obtained, will probably place a 28-passenger helicopter into service, said Robert Hubley, Los Angeles Airways vice president of sales.

There's little doubt that the helicopter age has arrived. Hubley said his firm, flying from 15 heliports throughout the Los Angeles metropolian area, carried 6,118 passengers, 549,744 pounds of airmail, and 295,938 pounds of air express in 1 recent month.

Senator ALLOTT. Now, we have I believe, Mr. Wheaton.

NATIONAL HOUSING CONFERENCE

STATEMENT OF WILLIAM L. C. WHEATON, CHAIRMAN, LEGISLATIVE POLICY COMMITTEE

GENERAL STATEMENT

Senator ALLOTT. Mr. Wheaton, it has been a long afternoon for both of us.

Mr. WHEATON. I admire your stamina, sir.

Senator ALLOTT. I admire yours.

Mr. WHEATON. I would like to introduce a written statement for the record, since it is so late, and try to summarize it very briefly.

Senator ALLOTT. I have a copy of it and the entire statement will be included in the record as though given.

Mr. WHEATON. I am here representing the National Housing Conference, of course, and I want to speak on two subjects.

First, the three programs on which the House bill cuts us back from contract authorization to an appropriation base, and secondly, on the research program which has been drastically reduced.

Earlier in the day, Senator——

Senator ALLOTT. Now, just a minute here. Senator Williams covered the operating phase——

Mr. WHEATON. And transportation.

Senator ALLOTT. And transportation, and one other.

Mr. WHEATON. The one other——

Senator ALLOTT. It was the research program.

CONTRACT AUTHORIZATION PROBLEM

Mr. WHEATON. He covered that one; yes, sir, but there was the third contract authorization problem which he did not mention.

Senator ALLOTT. All right, sir.

Mr. WHEATON. And that was the low rent demonstration housing program. On open space——

Senator ALLOTT. We had some testimony on this, by the way, the other day from the Housing Authority.

Mr. WHEATON. I know you did. On each of these programs I think it is essential to get clear what the House committee has done.

There was an authorization for $50 million voted last year but, by using the appropriation route and the administrative limitation thereon, the expenditures of administrative funds, they appropriated $35 million.

That $35 million, now having been largely lapsed, $4 million was committed, and the $31 million has lapsed and 15 is now appropriated.

So that in effect the authorization has been reduced from $50 to $18 million because the committee has decreed that an authorization has lapsed, and unless this committee either reverts to the contract authorization terms or makes these appropriations continually available, they will be lost as the committee report does not confront this issue.

It just says, "We have appropriated the full amount." But what it does not say is that of the $35 million appropriated last year only about $3.5 million were committed and the remaining $31.5 million have lapsed. They are gone.

OPEN SPACE LAND GRANTS

Senator ALLOTT. No, I was wrong in that. I was referring to the open space land grants.

Is that what you are talking about?

Mr. WHEATON. That is what I am talking about.

Senator ALLOTT. Well, then, the committee there very definitely said, and I will read it to save time, that the budget estimate for this item is $15,110,000, and the committee is recommending $15 million, which is the remainder of the $50 million program presently authorized.

And they apparently contemplate that that has been spent and that the complete authorization is $50 million.

Mr. WHEATON. That is right.

Senator ALLOTT. I can draw no other conclusion from it.

Mr. WHEATON. That is right. Although, in fact, $31.5 million of that has never been spent and under their language it will never be spent. It is gone.

Senator ALLOTT. Well, I will have to ask you:

Has it lapsed because it has not been spent?

Mr. WHEATON. It is lapsed because it was not spent within the appropriation year and——

Senator ALLOTT. 1962 money?

Mr. WHEATON. It says this was 1962 money.

Senator ALLOTT. And so you have $3.5 million which has not been spent and then they put in $15 million which would make 18——

Mr. WHEATON. Thus averting the intent of Congress which would be $50 million, as I interpret it.

Senator ALLOTT. Well, averting the authorization bill. It may not necessarily be the intent of the Congress.

Mr. WHEATON. Well, exactly the same thing has happened or happened with respect to the transportation program.

There is a little program for low-income housing. This is an intent to find substitutes for the present public housing program, to see

whether we cannot develop purchases of older homes in place of new construction or subsidizing a rental on existing privately owned homes or subsidizing rentals on co-op apartments, in order to find a substitute for the public housing program.

And the same thing has been done to this relatively small program of which $3 million is proposed for next year and $1 million would lapse.

Now, I would just like to make this point, and I am not going to offer the argument with respect to each of the programs——

Senator ALLOTT. Well, now, on this low income housing grant, the appropriation for 1962 was $2 million——

Mr. WHEATON. Yes, of which one was spent.

Senator ALLOTT. The budget estimate for 1963 was $1.25 million. The House recommended $3 million, which was $1 million over the 1962 appropriation and was $1.75 million over the 1963 budget.

Mr. WHEATON. And the only thing that will happen is that 1 million will lapse permanently.

Senator ALLOTT. Because it has not been spent?

Mr. WHEATON. It has not been spent.

Each of these programs is a first-year program which the whole business of developing procedures of staffing the agency has to be conducted on and which is more important, all of these programs are dependent upon the cooperation of local government.

The open space program is intended to stimulate the establishment of metropolitan agencies to handle open space problems, and this is a matter which will obviously take many years.

You are familiar with local government enough to know how difficult it is to secure voluntary cooperation between 30 or 40 or in the case of my metropolitan area, 300 local governments.

This is what the Congress intended to do. It is necessarily a slow process.

If we had intended to do this job quickly, without local concern and participation, presumably we would have had a direct federally authorized program, a federally operated program, which is quite contrary to our whole tradition.

So it seems to me especially important that we recognize that programs that involve local participation are going to be slow moving and that the administraive pressure of relying upon an appropriations procedure must necessarily reduce the standards of the agency and put them under a lot of pressure to spend money under ill-advised circumstances or not the best possible circumstances.

And I am especially concerned that these administrative effects may flow unfortunately—the administrative effects may flow from the reversion to an appropriation procedure.

I think the Senate has always understood this and I think the House has always understood it with respect to some programs but, perhaps, not with respect to others.

RESEARCH

Now, on research, which is the second item, $1,450,000 was requested. Of this amount $125,000 was for inhouse research by the agency staff, which is really just the review of operating experience. Thus, there was $1,325,000 available for research.

The House has cut this to $375,000, but of the $375,000, appropriated by the House, $225,000 now committed for one project which was started last year and which is a continuing thing.

That is the provision of current information on the rate of sales of newly built homes which the House committee and Banking Committee have both been very much concerned about.

Are we overbuilding?

Is there too much of an overhang in the real estate market?

The Housing Agency, responsive to their concerns in the committee's concern, commissioned the Census Bureau to establish a new program of reports on unbuilt homes. That costs $225,000 a year.

It should be a continuing service, and we have the Federal Government making $8 or $10 billion worth of commitments a year for mortgage insurance, and in other ways, in housing.

And we certainly ought to have current information of an individual variety of thoughts on the economic conditions in the housing markets.

The effect, therefore, of the appropriation action in the House is to leave the agency, after administrative expense deductions, with exactly $25,000 for new research programs.

Now, the agency, I think, is to be criticized for having come in here with nine specific research projects. We are expending $500 million a year on direct appropriations. We are insuring and guaranteeing $5 to $10 billion a year.

We have an accumulated outstanding liability of insurance and guarantees in excess, I suppose, of $80 billion and yet we want to spend only $375,000 a year finding out how this money is being spent, what its economic effects or social effects may be.

I am a little bit shocked that in the same bill we spend $310 million for basic scientific research which is certainly needed, and has certainly proven to be an enormously wise investment by the Nation, and we spend $250,000 on research on the problems of our urban areas which are the source of wealth supporting that scientific research program and our whole economy.

We have wisely spent up to $250 million on agricultural research. We have proven that they could or that we could become the envy of the world through relatively modest expenditures of this sort.

I think the same thing is certainly true in the Housing Agency in which, like agriculture, you are dealing with an industry which is fragmented, and is not in a position to do the kind of research that industry in other ways can do.

I think the Housing Agency has an obligation to come forward with a broad scale program of research. The institutions are available to do it.

There is a very good one in your State, and it seems to me very, very ill-considered for us to have this imbalance of expenditures.

We hope that you will at least restore the full request and hope that you will urge the Agency to come forward with a full program.

Senator ALLOTT. Off the record.

(Discussion off the record.)

Senator ALLOTT. On the record.

Thank you very much, Dr. Wheaton.

(The statement of Mr. Wheaton follows:)

STATEMENT OF WILLIAM L. C. WHEATON, CHAIRMAN, LEGISLATIVE POLICY COMMITTEE OF THE NATIONAL HOUSING CONFERENCE

Mr. Chairman and members of the committee, the National Housing Conference welcomes the opportunity to appear before you on the independent offices appropriation bill of 1963. We want to discuss with you two subjects which involve important matters of principle, if you will permit me.

Mr. Chairman, the first deals with the manner of financing long-term programs where commitments must be made several years in advance of the time when funds are to be disbursed. It is admittedly impossible to operate such programs on the stop-and-go basis of annual appropriations, and for these programs some form of advanced contract authorization must be available. There are three programs of this character which were initiated by the Congress last year, and which will be seriously handicapped, if not irretrievably damaged, if the provisions in the House bill are adopted.

The open space land grants administered by the Office of the Administrator is a program of very great importance for the conservation of open spaces as some alleviation to the continued spread of urban sprawl. As a starting amount for this program the Congress enacted a contract authorization of $50 million. The House, however, in a sudden maneuver a few hours before adjournment last year, voted an appropriation of $35 million for grants, coupled with a prohibition on the use of administrative funds in connection with any grants other than those covered by such appropriation.

As is usual with any new and untried endeavor this program was slow in getting started, and only a little more than $3 million was committed by the end of the last fiscal year, while the balance of the appropriation lapsed.

The House bill now before you proposes a new appropriation of $15 million and the report states that this together with the appropriation of last year will equal the total authorization under the substantive act. This is technically true, but neglects the fact that more than $31 million of last year's appropriation has lapsed and is no longer available. Since the House bill this year again prohibits the use of administrative funds in connection with grants not covered by appropriations the potential size of the open space program would be reduced from the $50 million contemplated in the substantive act to only $19 million despite the great need for assistance to local governments for the acquisition of open spaces.

A similar situation exists in respect to the urban transportation program, another measure essential in promoting the orderly growth of our urban areas. The amount authorized in the substantive legislation for loans and grants was $75 million, but the last minute maneuver of the House in effect substituted an appropriation of $42.5 million. Since less than $11 million was committed in the initial year over $31 million of the appropriation lapsed.

In the present bill a new appropriation of $32.5 million is proposed, coupled again with a limitation on the use of administrative funds for loans or grants not covered by appropriations. Should the House language be adopted the original program of $75 million will thus be reduced to about $43 million, an utterly inadequate sum.

The low-income demonstration program of last year is in similar difficulty. It carried a contract authorization of $5 million but the House appropriated $2 million with a similar limitation on the use of administrative funds. Over a million dollars of this appropriation lapsed. The appropriation proposed this year of $3 million with the same prohibition would cut the original program down from $5 million to about $4 million.

We believe that the enactment of contract authorizations after careful consideration by the substantive committees is a sound method for implementing long-term programs. We would strongly urge that the Congress revert to this sound procedure in the case of the above three programs. We recommend that, instead of appropriations for loans and grants, reliance be placed on the contract authorizations originally enacted, and that appropriations be made only for administrative funds without the prohibition as to their use which was enacted last year and which is again proposed this year.

We call your attention to the deplorable administrative practices which must follow from any other procedure. If an agency understands that each new grant authorization must be spent in the current appropriation year or be lost, it

must surely be under pressure to abandon, or seriously weaken its standards, local planning requirements, and careful procedures in order to spend money. Especially where local cooperation and planning are indispensable to sound results, we must recognize that contract authorizations are indispensable to sound management.

The other matter which greatly concerns us is the limitation which the House bill places on funds for urban studies and housing research. The budget proposed an appropriation of $1,450,000 but the House bill includes only $375,000, the same amount as was available last year. Of this amount, $125,000 was proposed for administrative studies leaving $250,000 for specified projects. This is nothing less than a fantastic travesty upon our research needs in urban growth.

This bill contains an appropriation of $310 million for the National Science Foundation for basic scientific research. We now recognize these as among our best national investments. Yet the same bill contains only $375,000 for research on the problems of our urban areas which produce the wealth that sustains our economy, our Government, and that scientific research. We all recognize that the expenditure of 200 million a year for agricultural research has produced an abundance which is our pride, sometimes even an embarrassment. Why have we failed year after year to recognize the same needs in the practical problems of urban growth.

The Housing and Home Finance Agency has produced an exceedingly modest, but well conceived, program. It identifies nine key topics for research. These serve to illustrate broader needs on which a broader research program should be launched at an early date. These topics deal with: (1) Interstate mortgage lending, (2) construction and financing of shell homes, (3) efficiency in community services, (4) operating and carrying charges in cooperative housing, (5) development of satellite communities, (6) inflation in land prices, (7) demand for metropolitan transportation services, (8) data on current housing market transactions, and (9) statistics on sales prices and volume. Each of these topics has immediately recognizable merit. A hundred equally important research topics could be identified, each of which could vitally affect the economy and convenience of our housing industry, and of urban areas.

We therefore urge that the committee restore the full request, and indeed urge the agency to request a comprehensive program at an early date. The Federal Government's current expenditures for housing, over $500 million per year, and its direct and contingent liabilities assumed, well in excess of $50 billion, certainly require, merely for prudent management, a substantially greater research investment.

Senator ALLOTT. We will take up tomorrow morning with the Federal Communications Commission at 10 o'clock.

Before adjourning I will place in the record various miscellaneous telegrams, letters, and statements pertaining to items in the appropriation bill.

(The inserts follow:)

OFFICE OF EMERGENCY PLANNING

OLYMPIA, WASH., *August 15, 1962.*

Senator WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Senate Appropriations Committee, Washington, D.C.:

May I urge favorable action on the $3 million item in the House emergency planning budget request in the independent offices appropriation bill. This money would comprise a grant for postattack planning in connection with the comprehensive program for survival of government and management of resources. If approved the item would be in full accordance with resolutions adopted by the past national Governors' conference.

ALBERT D. ROSELLINI,
VERNON O. WASHINGTON,
Chairman, National Governors' Conference.

WASHINGTON, D.C., *August 14, 1962.*

Hon. WARREN MAGNUSON,
Chairman, Independent Offices Subcommittee,
Senate Committee on Appropriations,
Washington, D.C.:

American Municipal Association has recommended in its national municipal policy that Office of Emergency Planning provide leadership and guidance to local officials in developing plans for effective use of resources and continuity of civil government in case of nuclear attack, and that studies and surveys being undertaken by OEP to these ends be made available to State and local governments. House action in cutting Office of Emergency Planning appropriations from $11 million to $4 million and completely eliminating the $3 million for financial assistance to State and local governments for such postattack recovery surveys will seriously disrupt emergency planning by States and localities. Respectfully urge that you and the members of your subcommittee bring about a restoration of funds for the Office of Emergency Planning.

PATRICK HEALY,
Executive Director, American Municipal Association.

WASHINGTON, D.C., *August 15, 1962.*

Senator WARREN MAGNUSON,
Chairman, Independent Offices Subcommittee,
U.S. Senate, Washington, D.C.:

National Association of County Officials greatly concerned over serious House cut in $11 million appropriations for Office of Emergency Planning and particularly the elimination of $3 million financial assistance grant to State and local governments for postattack planning. Our recent national conference attended by 2,000 county officials unanimously approved postattack recovery section of the American county platform stating that "adequate and effective planning for postattack recovery is a vital part of national preparedness and that our planning must be broadened to assure continuity of civil government and to make certain that a proper organization is in being to handle postattack recovery problems." The platform further recommended that NACO cooperate with OEP in developing a program of research and public education in the area of postattack and other emergency planning measures. This program and our efforts to develop State and local emergency planning organizations will be curtailed without a strong and adequately financed OEP. We strongly urge complete restoration of funds cut by House of Representatives. We further request that your committee remove the House-imposed restrictions placed on the open space program and to restore the appropriation to $50 million.

C. BEVERLY BRILEY,
President, National Association of County Officials.

WASHINGTON, D.C., *August 8, 1962.*

Hon. CARL HAYDEN,
Chairman, Committee on Appropriations,
Senate Office Building, Washington, D.C.:

The house of delegates, American Bar Association, today at San Francisco passed the following resolution:

"Whereas the American Bar Association has, since 1957, urged the Federal Government to assume responsibility for the development of adequate plans for survival and continuity in the event of atomic attack upon the United States; and

"Whereas civil defense is an essential and inseparable part of national defense: Now, therefore, be it

"*Resolved*, That the American Bar Association respectfully urges the President and Congress to initiate a comprehensive civil defense program, providing leadership and appropriate financial support to State and local authorities as may be necessary, to the end that in the event of atomic attack upon the Nation: (1) Traditional functions of law and government are continued without interruption; (2) martial law and military force may support but shall never sup-

plant civilian authority in governing the civilian population; (3) sufficient protection is provided for the moment of attack to assure survival of a citizenry in mass; and (4) careful and adequate plans are made for postattack survival, readjustment, and reconstruction."

JOHN C. SATTERFIELD,
President, American Bar Association.
RUFUS UING,
Chairman, American Bar Association Committee on Atomic Attack.

WASHINGTON, D.C., *August 16, 1962.*

Senator WARREN MAGNUSON,
Chairman, Committee on Office of Emergency Planning,
Senate Office Building, Washington, D.C.:

We feel that strong consideration should be given to adequate funds to operate the Office of Emergency Planning and civil defense.

GEORGE GILLESPIE,
Executive Director of the Blinded Veterans of America.

OLYMPIA, WASH., *August 2, 1962.*

Senator HENRY M. JACKSON,
Senate Office Building, Washington, D.C.:

Will appreciate support of the $3 million item for grant to the State for postattack planning in connection with the comprehensive program for survival of government and management of resource. This item is in the Office of Emergency Planning budget request in the independent offices appropriation bill.

Regards.

ALBERT D. ROSELLINI,
Governor.

OFFICE OF SCIENCE AND TECHNOLOGY

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
August 15, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: I am writing you in connection with the fiscal year 1963 appropriations for the new Office of Science and Technology in the Executive Office of the President.

As you know, the reorganization plan under which this new Office was established this year was based on the recommendations of a staff study of the Subcommittee on National Policy Machinery, of which I was chairman. I am particularly interested that the new Office get off to a strong start.

I believe serious consideration should be given to restoring to the budget for the new Office the $150,000 cut by the House from the original figure of $850,000 recommended by Dr. Wiesner. It is clear from Dr. Wiesner's testimony at the House hearings that a $700,000 budget would fund the Office at the present level of activities, while the reorganization plan specifically provides for additional responsibilities which the Office would therefore not be able to fulfill properly. Due to these new responsibilities, as I see it, there is a requirement for a very modest expansion of activities and therefore of the budget.

I hope your committee will find it possible to vote the figure of $850,000 as initially asked for by the administration.

With best wishes.

Sincerely yours,

HENRY M. JACKSON,
U.S. Senator.

DEPARTMENT OF DEFENSE

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., August 17, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Committee on Appropriations, U.S. Senate.

DEAR MR. CHAIRMAN: Because the civil defense research budget is before the Senate Independent Offices Appropriation Subcommittee, I want to acquaint you with the background of a recent newspaper story questioning the use of our fiscal year 1962 research funds. The story, which you may or may not have seen, concerned a $42,780 contract with Michigan State University designed to identify a more effective sound for an outdoor warning system than the siren sounds presently available.

This project survived intensive review of the fiscal year 1962 civil defense research program by the Office of the Director of Defense Research and Engineering in the Department of Defense and by the Civil Defense Advisory Committee of the National Academy of Sciences. This work is considered necessary because the outdoor siren warning system has on several occasions proven that it is only partly effective in attracting public attention to an alert in a convincing way.

The Federal Government, as you know, is matching funds with State and local governments on a variety of types of equipment for outdoor warning systems. Our purpose is to develop more uniform specifications for a more efficient outdoor warning system for use as existing equipment deteriorates and must be replaced.

The NEAR system will provide an indoor warning system complementary to an outdoor warning system. Both are needed to develop the optimum national warning system which, I believe, is necessary in the years ahead. Such a warning system could save large numbers of lives under nuclear attack, even without a shelter system, for the reason that many people would be exposed to fringe blast and heat effects from air bursts which generate relatively little fallout. Normal take-cover tactics would make the difference between life and death for people so situated if there is warning and training in how to take cover.

I wanted you to have our reason for this contract in view of the adverse public comments which it appears to have generated.

Sincerely,

STEUART L. PITTMAN.

UNIVERSITY OF CALIFORNIA,
LAWRENCE RADIATION LABORATORY,
Berkeley, Calif., August 8, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR MAGNUSON: It was good to talk with you in Washington.

I am enclosing a statement on civil defense, which you may use in any way your wish. I hope that you will succeed in saving as much of the program as is ever possible.

Sincerely yours,

EDWARD TELLER.

Civil defense is the most peaceful method of resisting a nuclear attack. It has been often considered as an inadequate defense. Actually civil defense could greatly contribute to our strength and in combination with other methods of defense could most substantially decrease the danger of an attack on the United States.

Present inexpensive suggestions of identifying fallout shelter areas and stockpiling them with supplies have been attacked on the basis that these measures are insufficient. This criticism is valid if one assumes that these inexpensive suggestions will not be later supplemented by further needed measures. However, even taken by themselves, the presently suggested program of identification of shelter areas and stockpiling these shelter areas could make a real difference in our ability to survive a nuclear attack. If one makes the assumption that in the long run we are not going to neglect our civil defense then the present program

makes eminently good sense as a first step. To cut funds and thereby to neglect the stocking of those areas which are already identified is an obviously wasteful procedure.

In the long run the question has to be raised, whether adequate civil defense will become possible. Actual construction and experiments have shown that for $150 to $200 per person one can construct community shelters which will give completely adequate defense against fallout, blast, firestorm, and also bacteriological and chemical attack. The price may be lower if the shelter can be constructed as a multiple-purpose unit. For a total expenditure that is small compared with the cost of our national defense we could buy a very substantial measure of safety against a nuclear attack.

Civil defense has been the neglected link in our general national defense. To work on this neglected sector is likely to yield dollar for dollar the greatest additional safety for our citizens. I happen to be a strong believer in strength through preparedness and in particular I believe that money spent on the development of nuclear explosives is well spent. There is only one area in which the defense dollar can buy more safety than can be purchased by additional experimentation on nuclear explosives—this unique area is civil defense.

AUGUST 1, 1962.

Senator WARREN MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: We urge you to put forth efforts toward securing adequate civil defense funds for the State of Washington civil defense program. It is a very important program in our area and needs your attention to obtain these funds.

Thank you.

Mrs. WILLIAM KELSEY,
8th Area Civil Defense Committee,
Edmonds, Wash.

STATE OF MINNESOTA,
EXECUTIVE OFFICE,
St. Paul, August 9, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Subcommittee on Government Appropriations, Senate Office Building, Washington, D.C.

DEAR MR. MAGNUSON: I am gravely concerned over the actions taken by the Subcommittee of the Committee on Appropriations of the House of Representatives as it relates to appropriations for the civil defense program for the next fiscal year. I strongly urge that funds requested by the Department of Defense Office of Civil Defense be restored in their entirety.

The State of Minnesota along with the other States have invested large amounts of both time and money toward the sheltering of our population in time of national emergencies and in developing an operational capability for protecting life and property under conditions that would exist following an enemy attack upon this Nation. I earnestly urge that you and members of your committee carefully consider the impact of what the 87th Congress does on (1) the defense posture of the United States, and (2) the resultant actions that inevitably will be taken by State legislatures and governing bodies of local subdivisions. Leadership must come from the Federal Government. Implementation will be affected on the State and local levels as a result of this leadership.

Sincerely,

ELMER L. ANDERSEN, *Governor.*

BOARD OF SUPERVISORS,
COUNTY OF LOS ANGELES,
Los Angeles, Calif., August 10, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Independent Office Subcommittee,
Senate Building, Washington, D.C.

DEAR SENATOR MAGNUSON: I understand that your Senate subcommittee is now considering a request for funds recommended by the Department of Defense to implement the national shelter program.

Local officials with whom I have had extensive personal contact are unanimously agreed that we must have strong Federal leadership to implement an adequate shelter program for protection of our citizens. It is traditional for our citizens to look to the Federal Government for matters pertaining to the Nation's defense against foreign enemies.

Here in Los Angeles County we have seriously considered financing from our own local resources a countywide shelter program at a total cost of approximately $400 million. The major obstacle to actually starting our local program is lack of Federal leadership.

We are not requesting that the Federal Government carry the entire burden of this program, as has been proposed many times to the Congress; but we are requesting that the Federal Government assume its recognized role as leader in matters pertaining to national defense. Nearly all our local plans and programs in this area are stalemated until the Federal Government acts.

I urgently request that you and your committee favorably consider the Department of Defense request for shelter funds. I am sure you will agree that our citizens cannot in good conscience be requested to continually support a military defense program which, in the event of war, would leave them lethally exposed to radiological hazards—even if military victory were quickly and decisively won by our Armed Forces.

Sincerely yours,

KENNETH HAHN,
Military and Veterans Affairs,
Board of Supervisors.

HARTFORD, CONN., *August 10, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: The press reports that President Kennedy has asked Congress to restore the money for fallout shelters developed under the survey and "* * * to provide enough funds to keep pace with those communities and eligible institutions with plans for creating new fallout shelter space."

Failure to appropriate funds to carry out all phases of this program amounts to congressional rejection of the program which it approved last year. The hesitation of the Congress has already created tremendous uncertainty in the minds of the public throughout the country and failure to appropriate these funds this session of Congress would be a severe setback to public acceptance and cooperation. It is hard to understand the Congress' willingness to appropriate over $200 billion[1] for the direct military defense of our country and then balk at appropriating even a small amount in comparison for the safety and protection of the workers, women, and children of this country.

I would like to make a particular plea for funds for the establishment of shelters in schools and other public buildings. Failure to do so means that new schools will continue to be built without fallout shelter protection. Secondly, it means that the community is being denied the use of facilities which would be best distributed and best controlled for use as public shelters. For instance, in Hartford a new school is being proposed in a section of the city which the survey indicated was deficient in potential shelter spaces. Without this incentive program there is absolutely no chance of a fallout shelter being included in this new school. As chairman of the building committee on the school board I attempted to interest the school administration and other board members in this shelter, but without the Federal appropriation it would be impossible to get any support for it. These shelter spaces to be effective must be located where the population is. I do not believe the shelter program will be effective if people have to run halfway across the city to reach a public shelter.

Public shelters in private buildings raise serious questions about damage to the private property, particularly where IBM, electronic, and other expensive equipment is located. It also raises questions about control. These questions would be obviated in shelters in public buildings and therefore reliance should be placed upon the use of public buildings as shelters whenever possible. Since most new schools are being built on grade without basements they are not convertible into shelters so that it cannot be argued that these facilities could be

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[1] Over a 5-year period.

included at a later date. However, such a school constructed now with the shelter problem in mind, can be constructed at an additional cost of not more than 10 percent, and in many cases much less percentage of the total construction cost.

I sincerely hope that you will support the administration's shelter program.

Sincerely yours,

KEITH B. HOOK,
Attorney at Law.

THE CALIFORNIA STATE ASSOCIATION OF EMBLEM CLUBS,
Tahoe City, Calif., August 7, 1962.

Hon. WARREN MAGNUSON,
U.S. Senator from Washington,
Senate Office Building, Washington, D.C.

DEAR SENATOR: Today I received a copy of "Portions of the Proceedings of the Congress on Monday, July 30, 1962, as Recorded in the Congressional Record No. 130." I was also informed that expressions of opinion should be sent to you.

As State chairman for civil defense of the State Association of Emblem Clubs of California and Nevada, may I say that I felt the viewpoints of the gentlemen quoted were excellent and I feel sure our members would endorse them.

I am also enclosing copy of letter sent by me to the Members of Congress, from California and Nevada. We have urged all our club members to write the Congressmen from their own district also.

Surely our Congressmen realize that to be prepared for any eventuality is the only safety our country has.

Sincerely,

FLORENCE E. BROWN, *State Chairman.*

JULY 28, 1962.

GENTLEMEN: Two weeks ago, I was so fortunate as to be a member of a group of 25 ladies from our State association, to tour NORAD at Colorado Springs, Colo. We had the honor to be the first, and so far, the only all women group to be so privileged. It was a memorable experience, one I wish everyone in America could share.

As hosts on that occasion, Col. A. B. Sporer, Jr., U.S. Air Force, Briefing, and Major Ford Dawson, U.S. Air Force, Public Relations, and all the other officers and men who were with us, were so gracious and so dedicated to the job being performed there, that we were very proud of our American servicemen.

The Air Force Academy "at the ramparts" is simply outstanding and I know that, with the program there and the caliber of students accepted, we will never have to worry about our future officers or the final history of our country.

As a result, though, I feel that our citizens must do a better job of backing our services. I am, therefore, writing on behalf of our State Association of Emblem Clubs of California and Nevada, to urge that our Government push the Nike-Zeus program to the utmost. Also, we recommend approval of House bill 10262 and Senate bill 2857 to aid civil defense.

In case you are not familiar with our organization, we are female members of the families of the Elks. We have 74 member clubs in California and Nevada and are affiliated with the Supreme Emblem Clubs of the United States with 382 clubs.

As a favor, I would appreciate this letter being brought to the attention of other Congress Members from California and Nevada, as I am not familiar with all of them.

Sincerely,

FLORENCE E. BROWN,
State Chairman of Civil Defense, State Association of Emblem Clubs of California and Nevada; Women's Civil Defense Coordinator, Placer County, Tahoe Area.

TUCSON, ARIZ., *August 9, 1962.*

Hon. CARL HAYDEN,
Chairman, Senate Appropriations Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR HAYDEN: We understand that Senate Appropriations Committee hearings on the civil defense budget are expected this week. From news-

paper accounts we find that the Tucson-Pima County Civil Defense Commission is strongly urging a restoration of appropriation cuts in the CD program. As scientists, we wish to voice our grave misgivings about the value of a civil defense program in Tucson and elsewhere. We stress that the Tucson-Pima County Civil Defense Commission does not speak for all the individuals in our community who have considered the matter.

The Defense Department has acknowledged that Tucson and other missile cities are in grave danger in case of atomic attack. Scientists on the Tucson-Pima County Civil Defense Commission have begun a careful study of the technical problems associated with Tucson's peculiar vulnerability and have pointed out that if adequate shelters are to be constructed locally they must include both blast and special fallout protection. In these matters we accept their technical judgment. Why then do we dispute their recommendation of a restoration of the CD budget?

We are concerned about the broader implications of the CD program. According to Senator Symington and others the Defense Department has revised downward sharply its estimates of Soviet weapons strength. The Kennedy administration has emphasized vigorously the overwhelming nuclear superiority of the United States over the U.S.S.R. and denies that Russia has ever had an effective first-strike capacity. If this is true, how would an intense civil defense program on our part appear to the Russians? They might surmise that we were planning to go underground, then strike first. Such a policy, repugnant we believe to most Americans, is nevertheless a logical development of the policy voiced by Arizona's State Civil Defense Director Ralph Redburn in his forum speech in Tucson last spring when he proposed that we consider going to war with Russia now, while there is a 50–50 chance of winning. Is civil defense going to lead us into a posture of civil offense?

A related undesirable outcome is the likelihood of a shelter race. In the March issue of the Bulletin of Atomic Scientists Freeman J. Dyson makes the point: "It is likely that shelter building, if once seriously started on both sides of the Iron Curtain, would be a self-reinforcing and exponentially growing activity." In their study "The Shelter-Centered Society," behavioral scientists of the Peace Research Institute also conclude that once entered upon, a shelter program will prove extremely difficult to limit or reverse.

Finally, the moral issues raised by shelters argue against their adoption. In the April issue of the Bulletin of Atomic Scientists David R. Inglis concludes that "* * * the effectiveness of shelters will be circumvented by modifications of the attack in almost any situation and that, rather than to make a vain attempt to escape by digging in, we had better be devoting our energies to building a better world and to finding political ways to exploit the common interest of all men in continued life." We deplore the immorality of "crackpot realism"—proposing blast shelters at home while ignoring the plight of homeless millions of people in many parts of the world who lack adequate shelter of any description.

In the case of Tucson we believe that two wrongs—encirclement by Titan missiles and a very costly blast shelter program—will not make a right. To vastly improve Tucson's civil defense posture the obvious step would be that advocated by various scientists of national stature—removing the missile and SAC bases from the vicinity of our city. Total cost of such a move might not greatly exceed the total cost of research, development, and construction of adequate blast shelters and postattack facilities. Clearly, the only adequate type of civil defense will be a peaceful world. We believe that a massive shelter program is not likely to improve our chances for peace. We hope your committee will sustain the House Appropriations Committee in its decision to trim the proposed civil defense budget.

Sincerely yours,

Cornelius Steelink, Robert C. Stone, Raymond M. Turner, Gordon Tollin, Alec Kelley, Harold C. Fritts, H. Melvin Lieberstein, Paul S. Martin, John H. Robson, and Leslie Forster.

BERKELEY, CALIF., *August 9, 1962.*

Hon. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee of the Senate Appropriations Committee, New Senate Office Building, Washington, D.C.

DEAR MR. SENATOR: In the current hearings of the Senate Subcommittee on Independent Offices concerning the Office of Civil Defense budget request, Assistant Secretary of Defense Steuart L. Pittman has made reference to a recent public opinion poll (questions and tabulating done by Michigan State University with fieldwork alone done by Elmo Roper & Associates). This poll was contracted for by the Office of Civil Defense and the results so publicized and interpreted as to imply public support for a Federal fallout shelter program. A copy of this poll is enclosed herewith.

Because of your prominent position with regard to civil defense legislation, I believe that you may be interested to know of an examination of this poll by an associate and myself which prompted us to write a critical analysis published in the Washington Post of August 2. In our opinion, the conclusions drawn from this poll by Mr. Pittman and others as to public support of a shelter program are simply not warranted by the facts.

Many of the questions employed in the poll are technically deficient: they tend to direct the respondent's answer, they contain terms which are loosely defined, and they gloss over or neglect to mention fundamental aspects of the Federal shelter program. A glaring example (question No. 3) is that the person being interviewed was first told that the "President, the Secretary of Defense, and some prominent scientists have said that America should have fallout shelters," and then he was asked whether shelters would save a "significant" (undefined) number of lives. Faults of this nature in the construction of the questionnaire make any interpretation of the poll results extremely hazardous.

It is also very difficult for us to understand why certain results of this poll have been singled out for public emphasis and interpretation, while other findings have been completely ignored. No mention was made, for example, in the press release from the Governors' conference on July 1.

The New York Times story of July 4, Roscoe Drummond's column of July 9 in the Washington Post, or in Mr. Pittman's own testimony of August 6 before your subcommittee, of the poll's first question on the likelihood of nuclear war. The answers to this question reveal that only 26 percent of the American people believe this Nation will be subjected to a nuclear attack within the next 10 or 20 years. If the majority of the people do not believe a war will occur, quite the opposite conclusions from those of Mr. Pittman and others might well be drawn as to the public support (latent or otherwise) for a costly fallout shelter program.

Another view of particular interest to Members of Congress is the attitude of their constituents on this subject. Thus, as Mr. Pittman himself admits in his testimony, the conclusion that "there is a great deal of latent support for practical measures to shield people from fallout radiation" is in direct contrast with the results from "a large number of congressional polls over the last few months which produced generally negative reactions to the question of whether there should be a program of federally subsidized community shelters." As a matter of fact, Mr. Pittman understates the discrepancy, since all of the congressional polls of which I have knowledge (33 in all) show that at least a majority of the respondents are opposed to such a program.

While no claim can be made that congressional polls draw upon a representative sample of public opinion, it seems to me that they should not be any more summarily dismissed than should the Office of Civil Defense interpretations of the Michigan State-Roper poll be unquestioningly accepted.

Respectfully yours,

DAVID KRECH,
Professor of Psychology, University of California.

P.S. I should like to request that these remarks, accompanied by the full "Roper" poll, be included in the printed record of these hearings. D.K.

ELMO ROPER AND ASSOCIATES POLL

1. One thing we are interested in is how people feel about the possibility of a nuclear war in, say the next 10 to 20 years. In your opinion, what are the chances that a war will occur in which some country will attack the United States with nuclear weapons during the sixties or the seventies. Do you believe we will be attacked or we won't be attacked?

	Percent
Will be attacked	26
Won't be attacked	52
Don't know	21
No reply	1

2. Let's suppose there is a nuclear war. Think for a moment about people who live far enough away to escape the bomb blast. If these people have fallout shelters, what do you think their chances are for escaping death or severe radiation sickness from fallout radiation? Do you think they have a very good chance of avoiding radiation sickness, some chance, very little chance, or no chance of avoiding radiation sickness or death?

	Percent
Very good chance	21
Some chance	36
Very little chance	25
No chance	10
Don't know	7
No reply	1

3. The President, the Secretary of Defense, and some prominent scientists have said that America should have fallout shelters because fallout shelters will save a significant number of lives in case this country is attacked. Some other prominent scientists have disagreed. These scientists say that we should not have a shelter program because shelters won't save a significant number of lives in case of nuclear attack. How do you feel about this? Do you believe that shelters will or will not save a significant number of lives if we have an attack?

	Percent
Will save a significant number of lives	51
Will not save a significant number of lives	40
Don't know	8
No reply	1

4. The Government is completing a survey of large buildings, subways and the like. Enough corridors, inner rooms, basements and so on have been found to protect over 50 million people against fallout radiation. Should or should not these protected areas, which already exist, be marked and provisioned for use in an emergency?

	Percent
Should be marked and provisioned	86
Should not be marked and provisioned	7
Don't know	6
No reply	1

5. Many existing buildings would provide more fallout shelter if minor changes such as bricking in basement window areas and addition of some ventilation of equipment, are made in them. Are you in favor or opposed to a program for changing these existing buildings to provide more shelter space?

	Percent
In favor of changing existing buildings	64
Opposed to changing existing buildings	22
Don't know	13
No reply	1

6. Are you in favor or opposed to a program for including fallout shelter space in the design of new, larger buildings?

	Percent
In favor	68
Opposed to	20
Don't know	10
No reply	2

7. The Government is proposing to help schools, colleges, and hospitals to meet the cost of making suitable rooms and basements in their buildings adequate as public fallout shelters. Are you in favor or opposed to this Government help?

	Percent
In favor	77
Opposed to	17
Don't know	5
No reply	1

8. (*a*) By surveying existing buildings and by financial assistance to schools, colleges, and hospitals, the Government is trying to stimulate a national effort to provide protection against fallout for everyone in the United States within 5 years. Do you think the Government should do more to provide protection in the event of an attack, do you think this is just about the right kind of program, or do you think the Government is doing too much in this area?

	Percent
Think the Government should do more	26
This is about the right kind of program	45
Think the Government is doing too much	14
Don't know	14
No reply	1

(*b*) What else do you think the Government should do? (Detailed responses to be provided.)

	Percent
Develop shelter program	40
Educational campaign	11
Miscellaneous suggestions	49

(*c*) What do you think the Government is doing that it should not be doing? (Detailed responses to be provided.)

	Percent
Spending and wasting too much money	40
Too much Federal activity	24
Government should quit promoting shelters; program won't work	10
Miscellaneous answers	26

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 24, 1962.

Hon. CARL HAYDEN,
Chairman, Committee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of March 12, 1962, in which you requested certain information on the 1963 budget estimates for civil defense activities for inclusion in your hearings record.

At the request of Senator Robertson during the hearings on our own 1963 budget estimates, I submitted in a letter to him, dated March 9, 1962, for inclusion in the record of those hearings, a comparative table on the current and proposed funding of Federal agency emergency preparedness activities. That table shows the estimates for the Office of Civil Defense, Department of Defense, as $695 million for 1963 and $257 million as the comparable estimate for 1962. The estimates for this Office, of course, constitute the principal support for civil defense activities.

Generally, the 1963 budget contemplates that the nondefense agencies will utilize existing resources to the fullest extent possible to carry out the limited civil defense responsibilities which have been assigned to them and no additional funds are specifically requested for these purposes. However, there are a few instances where, under the circumstances set forth in my letter to you of March 9, 1962, specific requests have been made for appropriations to these agencies for civil defense responsibilities which they could not reasonably be expected to meet with their existing resources. We would include the following in this category:

Agency	Amount	Activity
Department of Commerce, Weather Bureau.	$147,000	Fallout area forecasting.
Department of Health, Education, and Welfare, Food and Drug Administration.	120,000	Protection of the purity and safety of foods, drugs, and cosmetics from the effects of CBR warfare agents; and biological warfare research.
Public Health Service	1,445,000	Emergency health training and community medical preparedness.

The amounts listed above are those which might be considered primarily for civil defense rather than for nonmilitary mobilization planning for limited war and postattack rehabilitation. These estimates are included in the table which I sent to Senator Robertson as noted previously. I trust that this information will serve your needs. If I can be of any further assistance in this matter, please call on me.

Sincerely yours,

DAVID E. BELL, *Director.*

THE STATE OF WISCONSIN,
BUREAU OF CIVIL DEFENSE,
Madison, Wis., August 1, 1962.

Hon. ALEXANDER WILEY,
Senate Office Building,
Washington, D.C.

DEAR SENATOR WILEY: I am writing to ask your aid in a matter of critical importance to Watertown and to Brown County, relating to the Office of Civil Defense appropriations for fiscal year 1963. As set forth in the enclosed letter to Assistant Secretary of Defense Pittman, in fiscal year 1962 Watertown commenced a project to construct in the new city hall a civil defense emergency seat of government (an "emergency operating center" or EOC).

The Office of Civil Defense approved a project application providing for $10,000 of Federal fiscal year 1962 funds for the design of the EOC, to be matched by $10,000 of local funds. The actual construction, however, would involve a further sum of some $150,000 of OCD matching funds on a fiscal year 1963 project application.

As you undoubtedly know, the House deleted $8 million requested by OCD for fiscal year 1963 EOC projects. If at least some of these funds are not restored by Senate action, Watertown will have lost $15,000 to $20,000, plus approximately a month of time, by proceeding with the EOC project in reliance on fiscal year 1963 funds being available for actual construction. (Watertown would have to foot half the bill for the wasted detailed design of the EOC plus the added cost of completely redesigning the city hall structure without the EOC.)

Brown County is also in an extended position with regard to an EOC to be built under the new county jail in Green Bay. A project application is in the final approval stage at the Pentagon for $12,000 for EOC design, with the requested Federal share being $6,000. (This initial stage was to have been funded out of fiscal year 1962 funds, but OCD requested they be changed to fiscal year 1963.)

The best solution would of course be a Senate restoration of at least some of the EOC moneys for fiscal year 1963. It would appear that in fairness to the cities in Wisconsin and elsewhere which have EOC projects in process, and thus stand to lose by their cancellation, a sum sufficient to complete these pending projects should be made available by Senate and conference committee action.

I understand that the Senate Subcommittee on Independent Offices Appropriations will be hearing the OCD fiscal year 1963 request on Monday, August 6. I should therefore deeply appreciate your doing everything possible to secure favorable consideration of the OCD request for EOC funds, for fiscal year 1963.

As little as $1 million might serve to complete the EOC projects pending in the country, though I of course do not have exact figures on pending projects. A much smaller sum, probably on the order of $250,000, would suffice to complete the in-process Watertown and Brown County projects.

In view of the crucial importance of this EOC funding matter to Watertown and to Brown County, I know that Mayor Robert White, of Watertown, and Mr. Arthur Norgaard, of Green Bay, Brown County CD director (Brown County Courthouse), would appreciate hearing from you as to Senate appropriation action.

In more general terms, the Nation must look to the Senate for restoration of other House cuts in the OCD requests for 1961. Secretary McNamara has testified that DOD regards a balanced effective, civil defense program as essential in the 1960's. With increasing numbers of thermonuclear weapons in existence, there is always the possibility of the great powers slipping over the brink into war, perhaps largely unintended, as in 1914. It would be grossly imprudent not

to have taken the modest steps which could save scores of millions, in the unhappy event of a war so occurring.

With thanks for your help in these matters, I am,

Sincerely yours,

WILLIAM K. CHIPMAN, *Director.*

MADISON, WIS., *July 31, 1962.*

Re Emergency Operating Center, Watertown, Wis., project WIS 400–6–62.

Hon. STEUART L. PITTMAN,

Assistant Secretary of Defense, Civil Defense, Office of Civil Defense, Department of Defense, The Pentagon, Washington, D.C.

DEAR SECRETARY PITTMAN: This letter will be further to our telephone conversation today, relating to the emergency operating center (EOC) now in process at Watertown, Wis. The situation is that a "phase I" project application (WIS 400–6–62) was approved by OCD on June 27, 1962, in the total sum of $20,000, the Federal share being $10,000. This initial project covers architect-engineer fees for feasibility studies and for detailed architectural drawings. At this time, the detailed drawings are within a few weeks of completion.

The problem posed at this time, as we know, is that the House has stricken the $8 million requested for EOC's in fiscal 1963. You told me that the Senate will hear the OCD appropriation bill on Monday, August 6, and that you are hopeful that all or part of the moneys requested for EOC's will be restored by Senate action, plus conference committee resolution of House-Senate differences.

Watertown's problem is that the EOC design will be half funded by fiscal year 1962 Federal matching funds of about $10,000. The actual construction, however, would have to be funded by a fiscal year 1963 project in the total sum of some $300,000, with the Federal share being about $150,000.

If fiscal year 1963 moneys were not made available by Senate restoration of at least some EOC moneys, Watertown would be in a very difficult position. It would be necessary to pay for, and to wait for, a complete redesign of the projected city hall, to eliminate the EOC features. This would involve the loss of perhaps $15,000 to $20,000 to Watertown plus the loss of perhaps a month of time. (Time, especially, is critical, since the city council have been pressing all summer for an early start on construction.)

Watertown, in short, would have proceeded with the fiscal year 1962 design stages in good-faith reliance on fiscal year 1963 moneys being available for construction. In view of Watertown's position, I should like to ask that every effort be made to secure, at a minimum, fiscal year 1963 moneys to complete the in-process Watertown EOC, as well as any others which may be in a similar "split" between fiscal years 1962 and 1963 funding. (I imagine that only a few projected EOC's in the country fall into this category.)

We both hope and expect that at least these moneys may be secured, though the final answer will, of course, not be known until the Senate has acted and a conference committee has adjusted House and Senate differences. In the event, however, that no EOC moneys whatever are approved, are there any fiscal year 1963 OCD moneys which might be used to fund the balance of the Watertown EOC project, roughly $150,000?

I plan to meet with the mayor of Watertown, Mr. Robert White, on Monday, August 6, on his return to his office. The mayor, I understand, has scheduled a council meeting for that evening. I should therefore deeply appreciate your having one of your staff call me on Friday, August 3, with regard to the foregoing question as to whether the Watertown project might be salvaged, even in the event no EOC moneys are approved for 1963.

I am sorry to be obliged to raise this matter at this extremely busy time, but as you will appreciate, the matter is of the most critical importance to Watertown, and of course to the whole civil defense program in Wisconsin. I might add that the cooperation of the region 4 staff has been magnificent throughout this whole EOC project; region engineers have made a number of trips to Wisconsin to give on-the-spot assistance.

We shall deeply appreciate whatever you can do to help in this matter.

Sincerely yours,

WILLIAM K. CHIPMAN, *Director.*

THE NEW JERSEY CIVIL DEFENSE ASSOCIATION,
Newark, N.J., August 13, 1962.

Senator WARREN MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: It is my understanding that you are chairman of the Senate Appropriations Committee which will have the opportunity of providing funds for the Federal civil defense program for fiscal year 1963.

I sincerely hope that you will override the recommendations of the House Appropriations Committee which deleted many of the important funds requests to complete the fallout shelter surveys complete with funds to mark and stock approved shelters.

I am sure that you know that this program was not entered into without a great deal of study by President Kennedy and his advisers on civil defense.

The program, as designed, has to do with preparation for the survival of millions of people in the event of nuclear attack on this country. To abandon this course, which has already been started and with all the publicity attached to it, would be catastrophic. It would be almost impossible for local civil defense directors to again go to the general public with any new program for survival. Their obvious reaction would be that the Congress doesn't seem to think attack is possible because they delete the appropriations for survival measures.

I sincerely hope that you and your committee will thoroughly study the importance of the CD survival program, and will favor us with appropriations according to President Kennedy's wishes.

Yours sincerely,

HOWARD WRIGHT,
President, New Jersey Civil Defense Association.

SAN FRANCISCO STATE COLLEGE,
San Francisco, Calif., August 13, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Senate Appropriations Committee, New Senate Office Building, Room 1235, Washington, D.C.

MY DEAR SENATOR MAGNUSON: I would appreciate having the following information included in the written record of the current hearings of the Subcommittee on Independent Offices:

I would like to inform you of research I am presently conducting to clarify some of the current confusion surrounding estimates of public interest in a Federal fallout shelter program.

I have examined the questionnaires used in a Michigan State University-Elmo Roper poll which was reported by Steuart L. Pittman, Assistant Secretary of Defense, in testimony before your Appropriations Subcommittee on August 6. In my opinion, this poll is not valid: the items are poorly worded and a variety of techniques were employed to prejudice the respondent's answer so as to overestimate the extent of public support for shelters. My research was specifically designed to demonstrate one source of such prejudice in this poll—the mentioning of authority figures' beliefs, and to show that the bias in the MSU-Roper poll was dependent on the level of education of the respondent.

In this MSU-Roper poll, the opinions of the President and the Secretary of Defense were mentioned before the respondent was asked for his opinion. In order to measure the ways in which use of such authoritative statements can bias results, a number of groups were presented with different versions of a questionnaire presenting different forms of bias, as well as a more simple questionnaire which made no mention of the opinions of authoritative sources. While the complete findings are being prepared for publication in the usual scientific journals, we would like to inform you now of the results which are most directly pertinent to your current hearings. This is in regard to the answers of two comparable groups of people:

1. The first group of people was given the MSU-Roper question which mentioned the President's and Secretary of Defense's support for a shelter program.

2. Another group was asked the same basic question—as to whether they thought shelters would save a signifigant number of lives—but with no accompanying mention made of the opinions of any authority figures.

In addition, the groups were asked a question which had not been included in the MSU-Roper poll, but which seems to lie at the heart of the matter. This question was simply whether or not the respondent favored a Federal fallout shelter program. The results were as follows:

[In percent]

	Original MSU-Roper poll	Our poll using MSU-Roper question	Our poll question, no mention authority figures
Shelters will save a significant number of lives	51	50	36
Shelters will not save a significant number of lives	40	49	63
Don't know and no reply	9	1	1

Our poll also asked, "Are you in favor or opposed to the Federal Government supporting a program of community shelters throughout the Nation?"

	Percent
In favor	46
Opposed	53
Don't know or no reply	1

A subsidiary finding has been that educational level is related to attitudes toward fallout shelters, as well as education being related to the amount of influence an authoritative statement will have in biasing results. For example: 68 percent of the individuals having high school education or less supported a Federal shelter program, while only 38 percent of those with 1 or more years of college held such an opinion.

I think our results speak for themselves. You can observe that people can be readily influenced by the way a question is asked, and thus the MSU-Roper poll cannot be considered an accurate index of public support for fallout shelters. In fact, our results indicate that the MSU-Rope poll was biased, and appears to have been designed not to test what public attitudes might be, but to provide support for an already determined political position masked in the cloak of science.

The results we have reported to you above are part of a larger project studying the influence of bias on questionnaires dealing with mental illness as well as civil defense. This study is being jointly conducted by Dr. Joe Kamiya, University of California, Dr. Rudolf Moos, Stanford University, and myself. We expect to have the manuscript ready for publication shortly and will send you a copy at that time.

Yours very truly,

PAUL EKMAN, Ph. D.,
Assistant Professor, Psychology Division.

TACOMA, WASH., *August 14, 1962.*

Hon. WARREN MAGNUSON,
Appropriations Committee, U.S. Senate,
Washington, D.C.:

Request steps be taken to restore "hardware" to civil defense budget and to cut strings off shelter research program to strengthen Nation's civil defense. Support underground signal communications. Preferable to exposed administration.

PAT COMFORT,
Representative, 26th District, State of Washington.

ATLANTA, GA., *August 2, 1962.*

Hon. HERMAN E. TALMADGE,
U.S. Senator, Washington, D.C.:

Considerable publicity has been given the proposed reduction of the civil defense budget for fiscal year 1963. Any reduction in the civil defense personnel and administrative program and shelter program will have a serious effect on

the civil defense program in Georgia. Georgia's civil defense budget for fiscal year 1962 included $395,600 Federal support for personnel and administrative contributions. Anticipated increase in Federal support for fiscal year 1963 is estimated to be $82,500, based on national guidelines and to continue the growth of present local civil defense organizations and new organizations. Unless Federal support of the civil defense program (personnel and administrative program and shelter program) is forthcoming, the civil defense effort in Georgia will be seriously hurt. I strongly feel that the civil defense program contributes greatly to the security and welfare of the Nation. It is requested that you oppose any reduction of the civil defense budget with all means at your disposal.

Maj. Gen. GEO. J. HEARN,
The Adjutant General of Georgia.

VFW 63D NATIONAL CONVENTION CORP.,
Minneapolis, Minn., August 16, 1962.

Senator WARREN G. MAGNUSON,
Care of Committee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: Enclosed please find the resolutions pertaining to civil defense that were passed at our most recent national convention. The Veterans of Foreign Wars National Civil Defense Committee has instructed me to forward these resolutions to your attention.

With kindest personal regards I remain,
Sincerely,

EDMUND A. ZABEL,
Director, National Civil Defense.

RESOLUTION NO. 19

POSITIVE CIVIL DEFENSE PROGRAM

To Committee on National Security, National and Foreign Affairs:

Whereas the President of the United States, the Secretary of State, the Joint Chiefs of Staff, the Director of the Central Intelligence Agency, the U.S. Department of Defense, and the commander in chief of the Veterans of Foreign Wars of the United States have publicly declared that civil defense is a necessity in this nuclear age; and

Whereas the Veterans of Foreign Wars of the United States is concerned with the growth of communism and the complex international tensions that result therefrom; and

Whereas the industrial might and the manpower of America combined with our military strength have brought us victory in past conflicts; and

Whereas the Department of Defense has recently declared and made public a policy wherein community and home shelters and matters pertaining thereto are of prime and compelling importance to every community in America and to every American residing therein; and

Whereas every American must be made aware of the possible results of present international tensions, and must be made aware that in the event of nuclear attack the Nation and individuals therein can survive: Now, therefore, be it

Resolved by the 63d National Convention of the Veterans of Foreign Wars of the United States, That each department, post, and member give priority to the passive defense of our Nation and that a positive program, therefore, be established as follows:

(*a*) Civil defense should receive positive priority support by all VFW posts.

(*b*) That State and local government assign to Veterans of Foreign Wars departments and posts, a definite and positive role in civil defense planning.

(*c*) That the commander in chief of the Veterans of Foreign Wars institute a program of creating an awareness of the complex international situation that now exists and that such information be disseminated to all the posts of the organization who, in turn, will educate nonmembers in their respective communities.

(*d*) That each department and post of the Veterans of Foreign Wars of the United States take positive action by working with their State and local govern-

ment in developing a civil defense program in accordance with Federal policies and insist that State and local government and all agencies thereof assume their rightful responsibilities in the planning and operations of a positive approved civil defense program.

Submitted by departments of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Canal Zone, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

RESOLUTION NO. 149

IMPLEMENT INCENTIVE SHELTER PROGRAM

To Committee on National Security and Foreign Affairs:

Whereas Congress has just withheld the $800,000 proposed appropriation for the incentive shelter program: Now, therefore, be it

Resolved by the 63d National Convention of the Veterans of Foreign Wars of the United States, That we endorse and petition the Congress to appropriate sufficient funds to fully implement the incentive shelter program as proposed by the Office of Civil Defense.

Submitted by department of Washington.

SAN FRANCISCO STATE COLLEGE,
San Francisco, Calif., August 13, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Senate Appropriations Committee, New Senate Office Building, Washington, D.C.

MY DEAR SENATOR MAGNUSON: I would appreciate having the following information included in the written record of the current hearings of the Subcommittee on Independent Offices:

I would like to inform you of research I am presently conducting to clarify some of the current confusion surrounding estimates of public interest in a Federal fallout shelter program.

I have examined the questionnaires used in a Michigan State University-Elmo Roper poll which was reported by Steuart L. Pittman, Assistant Secretary of Defense, in testimony before your appropriations subcommittee on August 6. In my opinion, this poll is not valid; the items are poorly worded and a variety of techniques were employed to prejudice the respondent's answer so as to overestimate the extent of public support for shelters. My research was specifically designed to demonstrate one source of such prejudice in this poll—the mentioning of authority—figures' beliefs, and to show that the bias in the MSU-Roper poll was dependent on the level of education of the respondent.

In this MSU-Roper poll, the opinions of the President and the Secretary of Defense were mentioned before the respondent was asked for his opinion. In order to measure the ways in which use of such authoritative statements can bias results, a number of groups were presented with different versions of a questionnaire presenting different forms of bias, as well as a more simple questionnaire which made no mention of the opinions of authoritative sources. While the complete findings are being prepared for publication in the usual scientific journals, we would like to inform you now of the results which are most directly pertinent to your current hearings. This is in regard to the answer of two comparable groups of people:

1. The first group of people was given the MSU-Roper question which mentioned the President's and the Secretary of Defense's support for a shelter program.

2. Another group was asked the same basic question—as to whether they thought shelters would save a significant number of lives—but with no accompanying mention made of the opinions of any authority figures.

In addition, the groups were asked a question which had not been included in the MSU-Roper poll, but which seems to lie at the heart of the matter. This

question was simply whether or not the respondent favored a Federal fallout shelter program. The results were as follows:

[In percent]

	Original MSU-Roper poll	Our poll using MSU-Roper question	Our poll question, no mention authority figures
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Our poll also asked, "Are you in favor or opposed to the Federal Government supporting a program of community shelters throughout the Nation?"

	Percent
In favor	46
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A subsidiary finding has been that educational level is related to attitudes toward fallout shelters, as well as education being related to the amount of influence an authoritative statement will have in biasing results. For example: 68 percent of the individuals having high school education or less supported a Federal shelter program, while only 38 percent of those with 1 or more years of college held such an opinion.

I think our results can speak for themselves. You can observe that people can be readily influenced by the way a question is asked, and thus the MSU-Roper poll cannot be considered an accurate index of public support for fallout shelters. In fact, our results indicate that the MSU–Roper poll was biased, and appears to have been designed not to test what public attitudes might be, but to provide support for an already determined political position masked in the cloak of science.

The results we have reported to you above are part of a larger project studying the influence of bias on questionnaires dealing with mental illness as well as civil defense. This study is being jointly conducted by Dr. Joe Kamiya, University of California, Dr. Rudolf Moss, Stanford University, and myself. We expect to have the manuscript ready for publication shortly and will send you a copy at that time.

Yours very truly,

PAUL EKMAN, Ph. D.,
Assistant Professor, Psychology Division.

STATEMENT OPPOSING OFFICE OF CIVIL DEFENSE APPROPRIATIONS

Mr. Chairman and members of the committee, my name is Harold L. Davis, and I reside at 61 Morton Street, New York, N.Y. I am a graduate of Carnegie Institute of Technology and have a Ph. D. in nuclear physics from Cornell University. For the last 5 years I have held the position of associate editor of Nucleonics, a monthly journal covering the atomic field. I offer the following statement to the committee which contains my views as a physicist and a private citizen concerning the proposed civil defense program.

In brief, I am concerned that the numbers of people the Defense Department claims would be saved by a fallout shelter system are "idealized" estimates that would prove to be tragically overoptimistic should we ever be confronted by a real nuclear catastrophe.

I maintain that a more realistic evaluation of the usefulness of a nationwide fallout shelter program would lead us to conclude that the enormous amount of money and effort contemplated for this program could better be spent in other ways.

The Department of Defense envisions a fallout shelter program built over a period of 5 years at a total cost of $5 to $6 billion providing 235 million shelter spaces. The Department bases its justification of this program on predictions

that such a shelter system would save something like 50 million lives in the event of a nuclear attack on this country. For instance in his testimony before the House, Secretary Pittman stated that in a representative attack of 6,000 megatons 90 million people might be killed by the blast and fire and 50 million by fallout leaving 30 million survivors. A fallout shelter system, it is argued would protect the 50 million people that would otherwise die from fallout and thus make possible 80 million rather than 30 million survivors.

I believe these estimates of the numbers that would be saved by fallout shelters are grossly overoptimistic. The Defense Department numbers assume that everyone in the country not killed outright by the direct effects (blast and fire) of the nuclear explosions will be able to take advantage of the fallout shelter system as needed to avoid a lethal radiation dose. In other words these figures assume the shelters are 100-percent effective. In any practical situation a number of factors would conspire to limit the actual effectiveness of a shelter system to a value far short of the theoretical 100 percent assumed in the Defense Department figures. Some of these factors include:

Shelter access time.—Fallout of radioactive particles can commence 15 minutes after a nuclear burst at distances of 10 miles from the burst (and this early fallout is the most radioactive). (See app., note 1.) Some fraction of the population, residing within 10 to 15 miles of the 10-megaton burst, may not be able to reach the shelters in time to avoid fatal radiation doses. This is especially true if the people have to make their way on foot through streets made impassable by debris piled up by the blast wave.

Fallout hotspots.—The fallout pattern would not be uniform across the country but would be considerably more intense in some regions compared to others. In a nuclear attack the fallout in some regions will be so intense that shelters with a protection factor of 20 (the minimum acceptable to the Defense Department for stocking and marking) will fail to protect occupants from sickness and death. I have made estimates based on data from Government reports that for a 10,000-megaton attack consisting entirely of surface bursts, in almost a third of such shelters across the country half of the occupants would fall seriously ill with radiation sickness. (See app., note 2.)

(Within the time scale contemplated for the shelter program a 10,000-megaton attack is not, by any means, out of the question. By 5 years from now, we are scheduled to have more than 600 hardened missile sites. To have a reasonably good chance of knocking out one of the sites an enemy would have to attack with two 10-megaton missiles. Hence, an enemy launching a counterforce strike (which, everyone agrees, is the most "rational" kind of attack an enemy might carry out) would have to use $2\times10\times600=12{,}000$ megatons on the hardened missile bases alone.)

In addition to these physical limitations of shelters, one can point to the following human factors that, in my opinion, pose even greater limitations on shelter effectiveness:

Information and training.—It is common knowledge from experience with information campaigns that even the most intensive, nationwide program on the locations and proper use of the proposed shelters would fail to reach half of the families in the United States. (See appendix, note 3.) Although the Government might have 235 million shelters ready and waiting when the attack came, more than half of the people would not know where the shelters were or how to use them. One might imagine a very ambitious program in which adult citizens are required under penalty of the law to attend orientation sessions and demonstrate through tests that they are adequately informed. Even if such a thing were feasible, it would certainly be rejected by the American people as an infringement on personal liberty. Also, the end value of such training is questionable in view of the following point.

Panic reactions.—Even in instances where people are fully informed beforehand, many people, because of psychological reasons, fail to act appropriately in the time of crisis and will be unable to take proper advantage of the protection offered by public shelters. Psychologists have found that in situations of extreme emergency (i.e., under enemy fire in combat) only one soldier out of six can be expected to act in an effective way (i.e., find good protective cover and fire his rifle in the general direction of the enemy.) (See appendix, note 4.) Others may be unable to move at all or may walk around and expose themselves in irrational ways to enemy fire. This is the behavior that can be expected with well-trained troops—troops who have undergone intensive combat training—crawled under machinegun bullets and participated in maneuvers with artillery and mortar fire.

There is little reason to expect a higher percentage of rational behavior in a nuclear attack from the civilian population whose preparation for the experience could never approach anything like the intensive training given combat troops. This factor alone might reduce the number of people actually receiving protection from 50 million to below 10 million.

These limitations on human performance are every bit as real and unavoidable as the fallout that would accompany a nuclear ground burst and must be considered in any realistic evaluation of the effectiveness of a fallout shelter system.

Taken together, the above factors might easily reduce the 50 million the Defense Department expects to save with shelters down to a figure closer to 5 million. In addition, there are attack situations not considered in the Defense Department estimates in which fallout shelters would be completely useless. Examples are an attack in which an enemy exploded all or most of his nuclear bombs in the air rather than on the ground or an attack in which chemical or bacteriological agents were deliberately employed against the population.

In view of the serious questions as to the soundness of the Defense Department's claims for the effectiveness of a fallout shelter system, I would urge the committee to withhold its approval of the funds requested to provide fallout shelter spaces. There are too many things we need to spend money on that we are certain will be useful to risk investing public funds in a program of such dubious value.

APPENDIX

1. The numbers quoted for the arrival time of radioactive fallout are based on data given in "Basic Properties and Effects of Fallout" by T. Triffet (U.S. NRDL) published in "Biological and Environmental Effects of Nuclear War," Joint Committee on Atomic Energy (1959).

2. The fraction of PF=20 shelters that would fail to protect their occupants against death or sickness in the event of a 10,000-megaton attack was calculated based on the curves presented by Hugh Everett and George E. Pugh in figure 1 of their report "The Distribution and Effects of Fallout in Large Nuclear-Weapon Campaigns" published in "Biological and Environmental Effects of Nuclear War," Joint Committee on Atomic Energy (1959). Their curves, reproduced below give the fraction of the country that would be subjected within the first 24 hours after an attack to a radiation dose of y or greater for levels of attack defined by the parameter D=megatons/10^4mi^2.

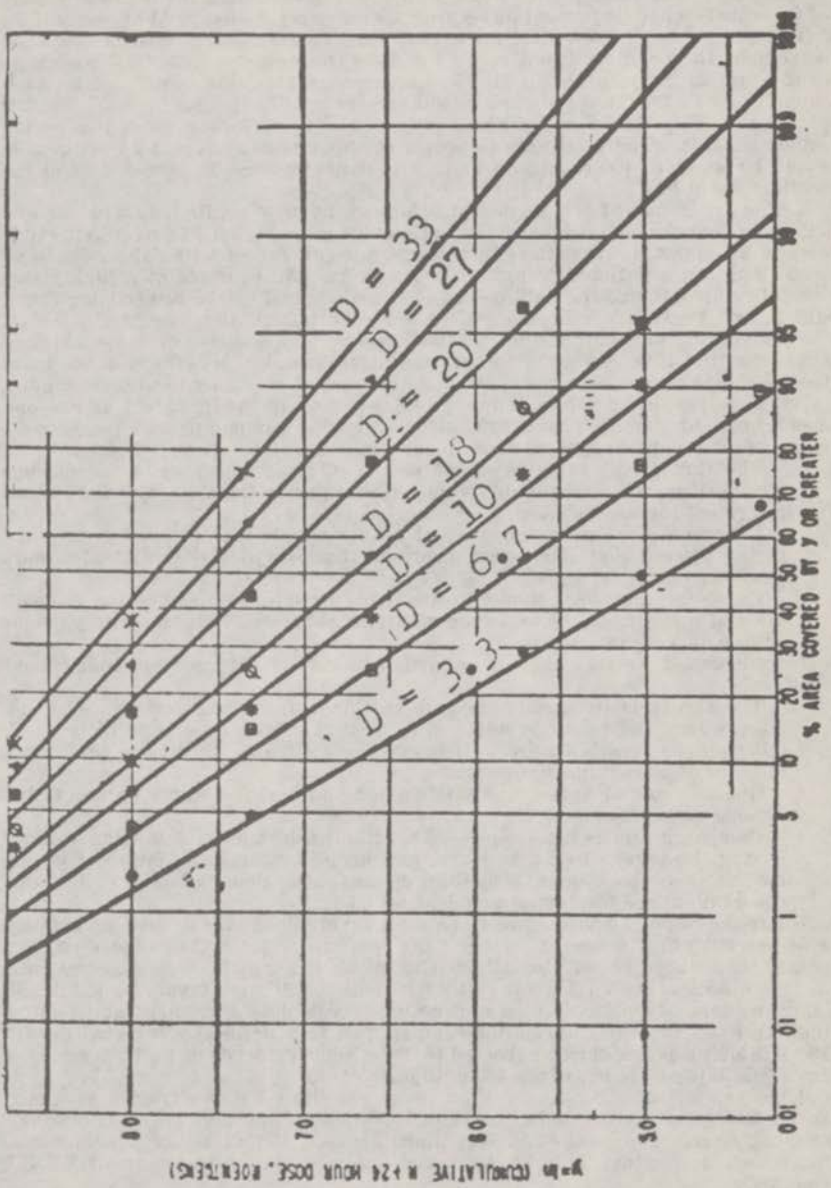

FIGURE 1

The values originally given by Everett and Pugh for the parameter *D* have been divided by the factor 1.5 to account for (1) the increase in the estimates by a factor of 2 in the number of curies of radioactivity released by the release of a megaton of fission energy since the computations of Everett and Pugh, and (2) the fact that Everett and Pugh assumed a fission yield for nuclear devices of two-thirds whereas present-day estimates assume a fission yield of one-half.

The above curves show that for a 10,000-megaton attack (D=33) close to 30 percent of the country would receive a dose (unprotected) of 4,000 roentgens in the first 24 hours after an attack. A person within this 30-percent zone occupying a PF=20 fallout shelter would receive a 24-hour dose of 4,000/20=200 roentgens. This dose would produce radiation sickness in one out of two people subjected to it. The total dose to people in this situation over a 2-week period would be closer to 400 roentgens, enough to cause sickness in all people and the death of about half.

3. The experience of private organizations in the mass media field who conduct public information campaigns on the nationwide scale is that 50-percent effectiveness is an upper limit on the effectiveness one can expect under the most ideal conditions for a national information campaign. An example of a highly successful campaign was the Salk polio vaccine conducted by the Advertising Council of New York, N.Y. At the end of a 2-year information campaign half of the population, or 93 million people, had obtained polio shots. The council does not claim that this number is entirely the direct result of its efforts in the mass media—many people obtained their shots because of drives by local civic groups, talks, and appeals by public figures on all levels up to the President and recommendations by family physicians. However, this campaign serves as an example of what can be expected under ideal conditions:

The threat was tangible—most people in the country know of someone who died or was crippled by polio. Hence people were strongly motivated to protect themselves.

Everyone was in agreement—all authorities in the country were completely agreed that shots were good and that everyone should obtain theirs as soon as possible.

Campaign aim was simple—to persuade people to do something immediate and something they had done many times before: visit the family doctor or stop by a clinic.

In contrast, if we talk about a campaign to indoctrinate people about fallout shelters:

The threat is intangible—no one in this country has experienced a nuclear war. The public is advised, in fact, that it is a very unlikely possibility in the remote future. Hence people will naturally ignore this worry in favor of more immediate worries.

General lack of agreement exists among authorities on the value of civil defense measures.

Campaign aim is not simple—in a fallout information campaign you are asking the person to listen, learn, and keep in mind information of no immediate use about doing something he has never done before (i.e., find and use a fallout shelter during a nuclear attack).

If for the polio campaign under the most favorable circumstances we got only a 50-percent effectiveness, then what can we expect for a fallout shelter campaign? An executive of the Advertising Council gave the following response to this question, which I quote: "Under ideal conditions—favorable public climate, leaders of public opinion and action in complete agreement and lending their full support—an information campaign on fallout shelters directed toward 180 million people might be expected to draw some evidence of positive response from 5 million people out of the 180 million."

4. In support of the comments on panic reactions I quote from a paper by D. O. Hebb entitled "Intelligence, Brain Function, and the Theory of Mind," originally presented as the 23d Hughlings Jackson Memorial Lecture, Montreal Neurological Institute, May 14, 1958, and published in Brain, volume LXXXII, page 260:

"There is a class of phenomena that we are only beginning to understand—or to be able to think about, at least—but of the highest practical significance at certain times in human affairs. There are certain situations, usually involving threat of some kind, in which the thought process is crippled or paralyzed. There may also be bodily paralysis, the person simply being unable to move; what I refer to as a 'paralysis of thought' is what happens when the person

under threat is quite able to stand up and move his limbs but engages in aimless activity, or does nothing, instead of making the movements that would insure his escape or lessen his danger. It is the power of decision, or the 'will,' that is impaired.

"Study of behavior in battle shows, for example, that there are only about 15 percent—the figure varies between 10 and 25 percent—of riflemen who can be counted on to fire their rifles in the general direction of the enemy when in actual combat. This is not a question of 'cowardice,' because the man who does not fire does not run away, and is apt to run greater risks than those whose behavior is more efficient."

One source of the data referred to by Dr. Hebb concerning the behavior of troops in combat is the book by Col. S. L. A. Marshall (AUS), "Men Against Fire" (William Morrow & Co., New York, 1947).

TUCSON-PIMA COUNTY CIVIL DEFENSE AGENCY,
Tucson, Ariz., July 30, 1962.

Senator CARL HAYDEN,
Chairman, Senate Appropriations Committee,
Senate Office Building, Washington, D.C.

DEAR CHAIRMAN HAYDEN: The Tucson-Pima County Civil Defense Commission (TPCCDC) was alarmed to read of the reduction of the Federal civil defense budget from $695 million to $65 million for the coming fiscal year by the House Appropriations Committee. The reduction of the civil defense operating budget to half the expenditures for last year will mean a drastic reduction in administrative staffs across the country. The efficiency and morale of such reduced staffs would be so low that very little productive work will be accomplished. If the appropriations cut is not restored civil defense in this country will be dead for a long time, which may be fatally long. The proposal of Representative Albert Thomas, of Texas, that the entire civil defense effort must be suspended for another year while additional basic research is carried out is not in line with the facts. Sufficient technical information is available now to give this Nation any degree of protection it wishes. Basic research should be continued in civil defense but the primary objectives here should be to develop new shelter designs that will lower building costs. The problems are not technical but are financial and lack of national leadership. The Nation needs leaders who have the capacity to analyze the technical aspects of our time and then have the courage to act decisively. Since many of our leaders have not bothered to do their homework and prepare themselves to handle the technical problems, when faced with a difficult decision, they evade the issue by asking for another study.

As you know from the progress report sent to you several weeks ago, Tucson is developing a new civil defense program that is much further advanced technically than the programs in most other parts of the country. Our program is designed to fit the needs of Tucson and is not based on conditions determined from national averages. Civil defense programs must be tailored to the needs of each community. The present civil defense statutes and regulations are having the effect of forcing the same "national average" solution on all communities, although this may not be the intention of OCD.

For example, school district No. 1 in Tucson recently applied for Federal matching funds for a study for school shelters to protect Tucson schoolchildren. The Corps of Engineers, which is administering the program for Arizona, chose to make a very narrow interpretation of civil defense regulations for this study that was contrary to an earlier agreement reached with the Deputy Assistant Secretary of Defense. Negotiations were dropped because the engineering firm wanted $13,000 for the study, while the Corps of Engineers would allow only $10,000. The Commission advised dropping further negotiations because the restrictions that the Corps of Engineers wished to place on the study would have resulted in unsuitable plans for Tucson. This is an excellent example of the folly of blindly applying a program developed for "national average" conditions to a specific locality such as Tucson which has different problems.

You may wonder why we have criticized the national civil defense program and at the same time are urging that the entire budget request be restored. We have done this to show that the effects of the civil defense programs can be corrected by proper administration and a few changes in policy. Civil defense is not so sick that we should kill the patient.

The TPCCDC believes that Tucson will make an important contribution to the national civil defense program. We have an outstanding group of engineers working on the program that has been obtained from the University of Arizona, Hughes Aircraft Co., Radio Corp. of America, and other engineering firms located in Tucson. This is the first attempt by a community (at least that we know of) to develop a civil defense system that will adequately protect the civil population from a number of near thermonuclear hits. One of the shelters we have designed wil lbe able to survive 10 megaton weapons bursts only 2.1 miles away. We are working on shelter designs that will provide this type of protection at greatly reduced costs when compared to previous conventional methods of construction.

The "national average" program being promoted by the Office of Civil Defense has been concerned with radiation protection factors of 100, whereas Tucson requires factors of 10,000 to 100,000, which have been provided at an economical cost in our designs. Radiations protection factors of 100 may be adequate for places 100 miles or more from target areas but in Tucson they would keep the shelter occupant alive for about 1 hour.

It should be clear that a "national average" solution is not satisfactory for all areas. Since Tucson is one of the first cities that is attempting to come up with a CD system adequate for prime target areas, it would be tragic if the Congress, because of budget considerations, were to stop this work. The Tucson work will be applicable to other prime target areas which may be found in almost every State.

Assuming there is a thermonuclear war in the next 5 years, which is a possibility, an adequate civil defense system could mean the survival of roughly 120 million Americans, whereas, with the present state of civil defense preparations, it is possible that only about 20 million Americans would survive.

In general terms we are talking about the chances of survival of about 100 million Americans, which is more than merely saving 100 million lives. The question is whether Western civilization will have the capacity to survive. The TPCCDC believes that this Nation can fight a thermonuclear war and survive, if and only if we are willing to develop adequate civil defense. In our opinion this is necessary for the success of military deterrence which is the only practical means we have at the present time for preventing another world war. The record $48 billion appropriated for active military defense will be a waste of money unless it is matched by at least the $695 million requested for civil defense. Once the Communist world realizes that the American public would not be willing, under any circumstances, to accept the risks of a thermonuclear war, then communism will continue to take over the free world and surrender of the United States to communism is only a matter of time. In order to make deterrence work, it is necessary for Russia and China to believe that the United States is willing to risk thermonuclear war if sufficiently provoked. This we cannot do without adequate civil defense. It can be shown (space forbids here) that certain multilateral disarmament systems could be safe national policies only with adequate civil defense; however, we are not recommending that disarmament be tried in the foreseeable future.

In our opinion the success of military deterrence and the preservation of the peace is dependent on the United States developing an adequate civil defense system. We strongly urge that every possible means be taken to see that—

(*a*) The national civil defense budget be restored to at least $695 million.

(*b*) The civil defense program be expanded to include provision for protecting prime target areas such as Tucson.

(*c*) That the Tucson-Pima County civil defense program be supported financially and continued as presently conceived.

Very truly yours,

ROBERT H. MARSH,
Chairman, Tucson-Pima County Civil Defense Commission.

CIVIL AERONAUTICS BOARD

U.S. SENATE,
Washington, D.C., August 15, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Independent Offices Appropriations Subcommittee,
New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I am enclosing a telegram from Mr. John T. Stephen, manager of the Mercer County Airport, Trenton, N.J., concerning the subsidy appropriation to local service airlines.

I would appreciate it if this telegram could be included in the record of the hearings of the Independent Offices Appropriations Subcommittee.

Sincerely,

CLIFFORD P. CASE, *U.S. Senator.*

TRENTON, N.J., *August 3, 1962.*

Senator CLIFFORD CASE,
Senate Office Building, Washington, D.C.:

As a member of Senate Appropriations Committee we urge you to restore the cut of $12½ million for subsidy appropriation to local service airlines. Failure to restore this money will result in poorer service rendered by these airlines to communities such as Trenton which receive their only scheduled services from airlines of this type.

JOHN T. STEPHEN,
Manager, Mercer County Airport.

LOS ANGELES, CALIF., *August 13, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senator, Senate Office Building, Washington, D.C.:

Los Angeles Airways helicopter service has become a permanent and integral airport system in the economy of southern California, presently Los Angeles International Airport is the busiest in the world, serving over 7 million passengers annually. Our Van Nuys Airport is the busiest general aviation airport in the United States. We are progressing rapidly with plans for a major downtown Los Angeles heliport. All of these facilities need reliable high quality schedule helicopter service to connect them together and to the various vital metropolitan areas in this region. Because Los Angeles Airways' service is necessary for the continued growth and development of this great area I respectfully urge the restoration of the full amount of subsidy support recommended by the Civil Aeronautics Board.

With best regards,

FRANCES T. FOX,
General Manager, Los Angeles Department of Airports.

CIVIL SERVICE COMMISSION

WASHINGTON, D.C., *August 8, 1962.*

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

SIR: It is interesting to note that someone in Congress is concerned about the heavily overloaded civil service. It can be traced to the Commission's system of promotion, based not on quality but on the amount of trivia that passes over a clerk's desk; if he can conjure up enough paperwork to warrant two secretaries, he is placed in a higher grade than one who finds one secretary sufficient. To the end of creating paperwork there is endless duplication, as a friend of mine discovered (I cannot recall his name) upon investigating a request made by a client.

The client was a small manufacturer who wanted to bid on producing an article, but he was not sure as to one of the conditions and so he wrote for information; apparently the request was one that in a private concern would have been turned over to a clerk for answer. But, no reply being forthcoming in a month, he came to Washington, but became lost in the Pentagon and could get nowhere; so he sent his lawyer. After some days of inquiry the lawyer found that, when the letter had been received, seven copies had been made and sent to different divisions, and these divisions had "coordinated" in preparing a reply; but none of the chiefs had the authority to sign, and the reply had been sent to an officer in New York, where it lay.

The system, as I understand it, is to "formulate" in conferences with others matters for "implementation" and to circulate whatever may have been formulated among others for "coordination"; in this way no one is responsible, which

is the objective. For one individual to make a decision, however, trivial, is bound to create resentment and prove fatal to advancement, as one officer learned and wrote a book about it.

Respectfully,

JOS N. NIELSEN, *Attorney at Law.*

CITY OF DALLAS, TEX.,
August 10, 1962.

Hon. WARREN MAGNUSON,
Chairman, Independent Offices Subcommittee,
Senate Appropriations Committee, Washington, D.C.

DEAR SENATOR MAGNUSON: In his testimony before your subcommittee on August 8, 1962, Najeeb Halaby, Administrator of the Federal Aviation Agency, made statements which reflect either incredible ignorance or a deliberate intent to distort the facts.

His reckless statements have done injury to this community.

We, therefore, request that this letter be made a part of the official transcript of your subcommittee's hearings. If you wish, we will be happy to appear before your subcommittee, to testify to, and stand cross-examination on, the facts set forth in this letter.

Mr. Halaby's irresponsible and false statements must be weighed against the facts:

1. Civic pride

Halaby: Dallas' insistence on use of its own airline airport, Dallas Love Field, "is a pure, unadulterated case of childish civic pride."

The facts: Dallas' position is based on economics, not civic pride.

Dallas is a community which has far above-average requirements for air transportation. With less than one-half of 1 percent of the Nation's total population, it has always generated at least 1.5 percent of the U.S. total originating-terminating air passengers. This consistently high air traffic generation is rooted in the economic character of Dallas—in the way Dallas makes its living and in the usefulness of air service as a tool of Dallas business.

The economy of Dallas has been molded by, and to, the convenient availability of scheduled air service at Dallas Love Field, which has been in continuous use as an airline airport since May 12, 1926. By way of illustration, 40 percent of Dallas-generated air passengers have their ground origins or destinations within 3 miles of this airport; and a similar percentage of Dallas' air cargo is generated within the same area.

Dallas has always generated approximately four times as much air traffic as Fort Worth, although its population is just twice that of Fort Worth.

The advantages to Fort Worth of having the Dallas-generated air traffic move through the Fort Worth airport are obvious: Fort Worth would then have an air service pattern far superior to that which could be supported by Fort Worth-generated traffic.

There would be no advantage whatever to Dallas. No fact has ever been advanced which could be reasonably expected to produce an advantage for Dallas.

Four passengers would be penalized in time, money, and convenience to every one passenger who might benefit from an artificially supported air service pattern at the Fort Worth airport.

In the competition between communities for new jobs and payrolls, in which scheduled air service is an increasingly important factor, Fort Worth would be arbitrarily upgraded and Dallas would be downgraded by diversion of Dallas-generated air traffic.

And, finally, the taxpayers of Dallas also have a property interest involved. Dallas Love Field is a $42 million facility, owned by the city of Dallas. It has received a total of $552,000 in Federal airport aid—and, none within the last 10 years. Its net earnings are the sole base of the revenue bonds with which the city of Dallas is financing the progressive implementation of the airport master plan originally adopted in 1945.

Our position: These facts do not add up to "a pure unadulterated case of childish civic pride."

2. "A darn good jet airport"

Halaby: "* * * There is a darn good jet airport halfway between Dallas and Fort Worth, Amon Carter Field."

The facts: The Greater Fort Worth International Airport, Amon Carter Field—to give it the benefit of its official name—is inadequate to serve Dallas-generated air traffic. This statement refers to physical inadequacy—not to the fact that the Fort Worth airport would be unsatisfactory on the basis of economics and convenience.

The Fort Worth airport's engineering design precludes the effective use of a second, or parallel instrument runway. If such a runway were built there, aircraft would have to cross one instrument runway in order to get to the other. Such cross-traffic between the parallel instrument runway and the terminal building would greatly inhibit the usefulness of the second runway.

Airline traffic at Dallas Love Field already requires two instrument runways. The Love Field master plan has always contemplated and provided for an open system of parallel instrument runways. The city of Dallas has awarded the contract for construction of the second instrument runway, which will double the operational capacity of this airport.

If service for Dallas-generated traffic were transferred to the Fort Worth airport, no such increase in operational capacity could be accomplished there.

The facts show that Dallas' air service pattern requires a second instrument runway today. That requirement could not be accommodated at the Fort Worth airport.

A less serious deficiency of the Fort Worth airport is its terminal building, which is substantially smaller than the Dallas Love Field terminal. Presumably, the building could be expanded, but it would be costly.

Our position: Dallas already has a "darn good jet airport" which serves this community's needs satisfactorily and which, in important and basic aspects, is superior to Amon Carter Field.

3. Cost to Federal taxpayers

Halaby: "It is * * * costing the Federal taxpayers many millions of dollars * * *."

The facts: Dallas Love Field has received a total of $552,000 in Federal airport aid. It has received no grants since 1951. It is not requesting any now.

The Federal Aviation Agency operates the air traffic control tower at Dallas Love Field. It also provides and maintains navigational and safety devices, such as runway lights, instrument landing system, radar installations, and so forth.

Air traffic control is a federally preempted function. The FAA provides such services—makes such expenditures—at all airline airports, the extent in each instance depending upon the volume and other air traffic requirements.

Our position: Surely Mr. Halaby would not pursue his prejudices to the extent of refusing to perform his responsibilities, assigned to him by law, with regard to the air traffic control services and navigational aids at one of the country's major airports.

4. Duplication of airports

Halaby: "* * * We are not duplicating * * * simply for civic or political purposes."

The facts: In this case, the Fort Worth airport represents the duplication.

Dallas Love Field has been an airport since 1917, has been in continuous use as an airline airport since May 12, 1926.

Amon Carter Field was made operational in 1953.

The CAA (predecessor to the FAA) held a public hearing on Forth Worth's plans to construct Carter Field. Fort Worth's spokesmen testified under oath that they were building the airport to serve Fort Worth, without any plan for joint use by Dallas.

The amount of Federal funds invested in the Fort Worth airport is not readily available to us. However, an exhibit which the city of Fort Worth and the Fort Worth Chamber of Commerce submitted to the Civil Aeronautics Board in docket No. 2355 et al., under date of January 17, 1955, shows these facts:

Net investment by the city of Fort Worth	$3,768,000
Construction grants by Federal Government	4,788,000
Investments by others, including airlines and concessionaires	2,758,534

Federal grants since 1955 have been substantial.

Despite its consistently poor record on traffic generated for the airlines, Fort Worth has remained an object for marked generosity on the part of the Federal Agency.

The cost of air traffic control and navigational devices at the Fort Worth airport, measured against the volume of traffic served, is absurdly high. It would be astronomically high compared with similar costs at Dallas Love Field measured on units of air traffic.

Our position: This is a clear-cut case in which the Federal Agency *has* duplicated existing airport facilities. But Mr. Halaby's implicating that it is Dallas Love Field which represents duplication is completely false.

5. History of Carter Field

In the early 1940's, the CAA (predecessor to FAA) conceived the idea of building an airport at the present site of Amon Carter Field. Since it needed a municipal sponsor, it persuaded the city of Arlington to assume that role. Then it undertook to tell the cities of Dallas and Fort Worth that, since the airport was going to be built anyway, they had better join in sponsorship. The two cities did negotiate on this proposal, but negotiations were finally broken off completely. The record shows that Dallas, at least, was considering sponsorship solely on the basis of the new field being designated as a "supplemental airport"—but not to replace Dallas Love Field.

The CAA spent approximately $1 million of Federal funds constructing the airport under sponsorship of Arlington.

The field was never used for scheduled air service.

In 1947, the city of Fort Worth, having decided that it would retain Meacham Field as its airline airport, acquired the CAA's abandoned airport from the city of Arlington and undertook to redevelop it as the Greater Fort Worth International Airport, Amon Carter Field.

The million dollars' worth of improvements which the CAA had put into the site were plowed up, and construction was started anew.

Fort Worth testified that this new airport was for service to Fort Worth, and was not being built to serve Dallas also.

Dallas never considered joining with Fort Worth in construction of Carter Field, having previously determined, on the basis of carefully developed engineering studies, that it would expand and improve Love Field. The city of Dallas master plan for Love Field had been adopted in 1945—2 years prior to Fort Worth's decision to build Carter Field.

Amon Carter Field was made operational in April 1953.

Airline traffic surveys of the Civil Aeronautics Board show that Carter Field has served a total of 1,533,528 originating-terminating air passengers beginning with its opening in 1953 and continuing through December 31, 1961.

During the same period the Love Field total was 9,900,799. Dallas Love Field served 1,514,230 originating-terminating (locally generated) air passengers in 1961 alone, or approximately the same as the cumulative total for Carter Field in all the years of its existence.

Our position: Mr. Halaby has demonstrated a personal prejudice against Dallas; he has demonstrated a reckless disregard for facts as a basis for his position; and he has further raised grave doubts as to his qualifications to administer the vast powers vested in the office of Administrator of the Federal Aviation Agency.

Respectfully submitted.

EARLE CABELL,
Mayor, City of Dallas.
AVERY MAYS,
President, Dallas Chamber of Commerce.

FEDERAL AVIATION AGENCY

CITY OF DALLAS, TEX.,
August 13, 1962.

HON. WARREN MAGNUSON,
Chairman, Independent Offices Subcommittee,
Senate Appropriations Committee,
Washington, D.C.

DEAR SENATOR MAGNUSON: Here are some additional facts regarding the strange behavior of Najeeb Halaby, Administrator of the Federal Aviation Agency, which we feel you and the other members of your subcommittee should have.

On January 25, 1962, the FAA announced that it was asking the Congress for a supplemental appropriation of $114 million to provide additional navigational and safety devices in the Federal airways system. It specified that, among other installations, one of the expenditures would be for an instrument landing system and related devices for the new parallel runway at Dallas Love Field. It further pointed out that Dallas Love Field was one of nine airports at which the FAA was making a second ILS installation.

On August 10, 1962, following Mr. Halaby's appearance before your subcommittee on August 7, Archie W. League of Fort Worth, Assistant Administrator of FAA, told the press that FAA would not make an ILS installation on Love's Field's parallel runway. He said he was taking "at face value" Mr. Halaby's declaration before your subcommittee that FAA would not spend "another nickel" on the Dallas airport.

In April 1959, the FAA submitted the national airport plan with details of "Recommended Airport Development 1959–62." For Dallas Love Field, the plan recommended:

"Land; site prep.: *construct and light parallel runway and taxiways:* stabilize taxiway shoulders." [Emphasis added.] In 1960, the city of Dallas contracted for engineering design of the ruway and taxiways, and scheduled award of a construction contract early in 1961. Construction was delayed by litigation instituted by 42 property owners.

On March 15, 1961, Mr. Halaby submitted the national airport plan for fiscal years 1962–66. The plan states that—

"* * * the inclusion of an airport in the national airport plan indicates its need in the national system of airports * * *."

The plan for fiscal years 1962–66 included Dallas Love Field. It had also been included in all previous plans.

In April 1962 Mr. Halaby submitted the national airport plan for fiscal years 1963–67. Again, this plan includes Dallas Love Field.

The data, forecasts, and recommended development which the 1963–67 plan sets forth for both Dallas Love Field and Fort Worth International (the airport which Mr. Halaby now says Dallas should use instead of Love Field), are summarized in appendix A, attached hereto.

On August 7, 1962, Mr. Halaby told your subcommittee that Dallas' continued use of Love Field as its airline airport is—

"* * * unadulterated childish civic pride * * *."

The announcement of his assistant administrator in Fort Worth on August 10 seems to be the first step in implementing Mr. Halaby's decree against Dallas.

In the light of the chronology above, it would seem that the ILS installation for Love Field's parallel runway, which the Federal Airways System required in January 1962, has become anathema to Mr. Halaby 7 months later.

It would also seem that Love Field's status as an air carrier airport, with recommended continuing development to serve 4 million enplaning-deplaning passengers by 1967, has completely disappeared between April 1962 and August 1962; dissolved in Mr. Halaby's outburst before your subcommittee.

In the light of such contradictions and volatile reversals, of course, we wonder whether your subcommittee can place any reliance in Mr. Halaby's testimony.

Respectfully submitted.

EARLE CABELL,
Mayor, City of Dallas.
AVERY MAYS,
President, Dallas Chamber of Commerce.

APPENDIX A

The National Airport plan (fiscal year 1963–67) classifications, data, and forecasts for the Dallas and Fort Worth Airports

Item as defined in the plan	Classification statistics which the plan applied to—	
	Dallas, Love Field	Fort Worth, Carter Field
a. Airport type: "AC—Air carrier airport * * *"	AC	Ac.
b. Community and metropolitan area: "Shows the community, or communities, the airport serves and with which the airport is normally identified. If the airport lies within the boundaries of one of the standard metropolitan statistical areas, or serves a part of the area, the name of the SMSA is shown * * *"	Dallas (Dallas)	Fort Worth (Fort Worth).
c. Airport: "Shows the name of the airport"	Love Field	International.
d. Hub type: "The hub type is a relative indication of the number of domestic airline passengers that originate from a community. The hub types shown are based on 1960 airline passenger statistics. Large (L)—1 percent or more of the national level. Medium (M)—0.25 to 0.99 percent."	L	M.
e. Based aircraft, 1961–67: "Shows the number of airworthy operational general aviation aircraft based at the airport in 1961 and the number forecast for 1967."	174 200	1. 20.
f. Total passengers (thousands), 1961–67: "Shows the total number of revenue passengers enplaning and deplaning domestic scheduled air carrier aircraft during fiscal year 1961 and the number forecast for fiscal year 1967* * *"	3,059 4,000	302. 407.
g. Longest runway (feet), 1961–67: "(a) Shows the usable length of the longest runway * * *"	7,751	9,000.[1]
"(b) Shows the length of runway considered necessary to meet the airport's aeronautical requirements at some time during the 5-year period of the plan. This length is based on an individual analysis of the runway length requirements of the types of aircraft expected to use the airport and is considered optimum for the equipment anticipated. Although in many cases expansion to this length is not feasible, it should be noted that a runway length less than the optimum shown may not necessarily sacrifice safety but may reduce the maximum weights at which aircraft will be permitted to operate."	8,800	9,300.
h. Type of aircraft, 1967: "Shows the type of aircraft anticipated to use the airport on a regular basis by 1967 and expected to have the greatest influence on airport development requirements."	DC8-10	DC8-10.
i. Forecast—Longest nonstop flight, 1967: "Shows the longest nonstop flight anticipated by 1967 from each air carrier airport."	1,500 (miles)	1,500 (miles).
j. Recommended airport development, 5-year plan: "Shows, in general terms, the work considered necessary at each airport to meet civil aviation needs for fiscal years 1963–67."	"Land; overlay runways; lighting; construct fire and rescue equipment building."	"Land; reconstruct and extend runway; extend taxiway; construct holding pad; lighting; construct fire and rescue equipment building."

[1] Secondary, not principal, runway.

Source: The National Airport Plan: Requirements for fiscal years 1963–67. The Federal Aviation Agency, April 1962.

APPENDIX B

EXCERPTS FROM THE NATIONAL AIRPORT PLAN; REQUIREMENTS FOR FISCAL YEARS 1963–67; APRIL 1962

Objectives (foreword, signed by Mr. Halaby): "In the preparation of this revision of the national airport plan, we have endeavored to achieve three important objectives:

"1. Furnish the Congress and the public a reliable appraisal of the public airport needs of the United States.

"2. Include in the national airport plan the basic elements upon which the public agencies concerned can prepare plans of development for the individual airports in question.

"3. Include in the national airport plan such data as may be required to determine the size, scope, and relative importance of those airport projects which may be considered for a grant under the terms of the Federal-aid airport program."

Convenience (p. 4): "Airports do not return direct profits comparable to those of successful manufacturing or retail enterprises. Yet aviation, the big employer and big customer, must have conveniently located airports if it is to continue to advance as a leading supporter of the national welfare."

Re airport location (p. 4): "One of the greatest problems facing airport planners * * * is the availability of land for airports needed to serve metropolitan areas. Yet, if * * * airports are moved farther and farther from user markets, the short-haul traffic of both airline and general aviation will be penalized."

DALLAS, TEX., *August 15, 1962.*

Senator WARREN G. MAGNUSON,
Washington, D.C.:

I am a former jet pilot. The few airline captains I have an opportunity to discuss Love Field, Dallas, are unanimously opposed to its existence primarily because of safety factors. With this I concur. My residence is less than 3 miles and nothing could be more convenient. Noise to me is not a problem although very audible semibusiness leaders in the community will not discuss their feelings opposing Love openly for fear of recrimination from top business leaders and politicians. The Dallas News appears to print only biased Dallas Love material. In a small way I have advocated the impracticability of developing Love. Since 1948 being a pilot and B.S. in accounting from Texas A. & M. could easily foresee this safety financial problem. Halaby may have used a poor choice of words "childish civic pride" but Dallas needs jolting to consider safety first the greater metropolitan area and the future of supersonic travel to say nothing of taxpayer cost. I beseech you to keep an open mind and not be misled by the more prominent names of Dallas, Dallas a city that had no aviation people on its aviation committee in the late 1940's and early 1950's.

FORD FERGUSON,
Mercantile Bank Building.

DALLAS, TEX., *August 12, 1962.*

Senator WARREN MAGNUSON,
Washington, D.C.

DEAR SIR: We read that the mayor of Dallas and the president of the Dallas Chamber of Commerce have written you a lengthy letter of protest concerning Mr. Najeeb Halaby, FAA Administrator.

The purpose of our letter is to inform you that large numbers of Dallas citizens object strenuously to the attitude taken by Mr. Cabell and Mr. Mays. We are, perhaps, old fashioned in our views, but we still value lives and private property rights more than we do the dubious privilege of having jets land in our midst on inadequate space. It is almost incredible, but certainly true, that a small group of powerful businessmen have been able to force this dangerous choice upon us all. In actuality, the large majority here has had no choice.

Therefore, we are very grateful for Mr. Halaby's refusal to be intimidated. It is really heartening to know, after all the disclosures of the Billie Sol Estes disgrace, that there are men in Federal agencies who are not afraid to do an honest job.

Sincerely,

SAMUEL M. BICKNELL,
CAROL R. BICKNELL.

ST. AUGUSTINE, FLA., *January 20, 1962.*

HON. CARL HAYDEN,
Chairman, Committee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR SENATOR HAYDEN: With your permission I am enclosing a copy of my letter to Senator Spessard Holland, which is addressed to Mr. Holland as representative of the Senate for this area, and a member of the Committee on Appropriations, and to the chairman and members of the Senate Appropriations Committee, appealing for their support and cooperation of the application of the Federal Aviation Agency Administrator, Mr. Najeeb Halaby, for substantial and adequate funds for proper operation of his important work.

I sincerely trust the interest of the very important work of the Federal Aviation Agency will truly be taken to heart by all members of your valued committee.

With kind thanks for your cooperation,

Sincerely,

WALLACE A. MILLER.

ST. AUGUSTINE, FLA. *January 20, 1962.*

Hon. Senator Spessard L. Holland, the Chairman and Members of the Appropriations Committee.

DEAR MR. HOLLAND, MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE: The people of the Nation are well aware that Mr. Najeeb Halaby, Administrator of the Federal Aviation Agency has inherited quite a problem with his comparatively new job. It is obvious that the manner in which he has taken up his new responsibilities together with the job of unraveling the difficulties already inherent in the organization indicates his spirit to reset the machinery aright for greater efficiency, greater safety for the public, and greater progress in serving the public and our Government. He could stand much help from those who can best assist him.

Aviation has made tremendous strides and with such swift change and increasing demands upon it from business, industry, shipping and public transportation, and the responsibility toward national defense, as well as a share of work in foreign relations and the distribution of educational and technological data pertaining to its field, in addition to a host of other duties, its importance to the national economy is an important one, indeed.

Mr. Halaby requires the best facilities and highest type of qualified personnel he can obtain to properly direct the operations of his organization.

May I respectfully appeal to the Appropriations Committee members, one and all, to extend to Mr. Halaby the support of your cooperation in providing the urgently needed substantial amount of money he needs for the safe and expeditious operation of his organization and the accomplishment of his wise objectives.

It takes money, skill and ability, good planning, foresight to function properly and well, as well as the sincere faith, understanding, and cooperation of those who can and will assist him.

How well the Federal Aviation Agency is enabled to function and to program its progress in keeping abreast with the world will reflect the extent of aid which stands back of it to help make its important work possible.

With kind thanks for your attention and consideration,

Sincerely,

WALLACE A. MILLER.

AEROSPACE MEDICAL ASSOCIATION,
WASHINGTON NATIONAL AIRPORT,
Washington, D.C., August 4, 1962.

Hon. WARREN G. MAGNUSON,
Committee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: The purpose of this letter is to acquaint you with the views of the Aerospace Medical Association in respect to certain provisions of H.R. 12711 (Rept. No. 2050), which pertain to the appropriations for aviation medicine, including equipment, for the Federal Aviation Agency, to be considered shortly by your Senate Committee on Appropriations. The bill contains a limitation on total costs of aviation medicine, which "shall not exceed $4,920,000 or include in excess of 304 positions" (p. 10, lines 16–20, of H.R. 12711). As stated in Report No. 2050 (p. 6), this amount "is $946,000 and 20 people more than in 1962, or half the increase requested."

This association is, of course, very much interested in the problems and activities of the Aviation Medical Service of the Federal Aviation Agency. In the public interest we would recommend and urge a change in the restrictive language to remove the limitation on the ceiling, both on the costs and positions authorized in H.R. 12711. It is our hope that the restrictive limitations will be deleted from the bill and that those funds will be restored, which your committee considers essential to properly administer the civil aviation medicine program and advance air safety. We respectfully request your consideration in this matter.

The Aerospace Medical Association actively supports any means to eliminate unwarranted duplication in medical research. Obviously this was an objective considered by the Committee on Appropriations of the House of Representatives in writing these limitations into the bill. For the past several years we have carefully observed the aeromedical research program, as well as the establishment and development of the Aviation Medical Service of the Federal Aviation Agency. Several association committees have conducted studies of these programs and we have been pleased with the progress made by the agency in these areas.

As you are aware, the Administrator and the Civil Air Surgeon, FAA, have established several advisory committees, including nationally recognized physicians and scientists, which provide assistance and guidance in these matters. Specifically, there is a Council of Research Advisers to the Civil Air Surgeon to assist him in the conduct of the Agency's medical research program. Advisers have been selected to represent the research interests of various medical disciplines. Two members of the Council are prominent members of the aviation community primarily interested in aircraft development and operations. Members represent various military and civilian research efforts to insure the broadest possible consideration of any questions related to aviation medical research. Other agencies engaged in doing similar research, including the U.S. Air Force, Army, Navy, and Public Health Service, are represented on this Council. The Council advises the Civil Air Surgeon on matters pertaining to priority of research needs, the avoidance of duplication of effort, and the quality and appropriateness of proposals for future research.

A word about all other expenses, including personnel requirements, for the operation of the Civil Aviation Medical Service, Federal Aviation Agency. You will remember the complete impotence and disorder in the organization for civil aviation medicine of several years ago. The sad state of the inadequate and poorly manned medical group at that time was recognized in the hearings of 1957 and 1958 before a Senate Subcommittee on Interstate and Foreign Commerce on a bill (S. 1045) relating to aviation medicine. After passage of the Federal Aviation Act of 1958, based on the advice and counsel given by you and the chairman of the Subcommittee on Aviation, of the Committee on Interstate and Foreign Commerce, the Honorable A. S. Mike Monroney, considerable progress has been made toward correcting the great deficiencies that existed. The Administrator and the Civil Air Surgeon wisely planned to develop and establish critically necessary aviation medicine services on approximately a 5-year program, rather than attempt to do it all at one time. Therefore, it is not surprising to note that the costs of operation of the entire aviation medical program has gone up from $450,000, in 1959 and 1960, to $5,869,000 requested for 1963. In emphasizing these facts, it is possible that the members of the House Appropriations Committee did not fully appreciate the extremely limited and almost disgraceful state of the aviation medical services prior to 1959.

As stated at the hearings, there was no greater gap in the Agency in terms of need than in the medical need. The subsequent record of the growth and progress in the aviation medical activities has received the high commendation of this Association.

It would appear to be a serious and possibly costly mistake to impose a rigid limitation on either funds or positions at this time. Essential education, training, and service programs will be curtailed. Further orderly development of the planned program will be delayed. These programs are designed to improve safety in air commerce. With the growth of commercial and private civil aviation, aviation medicine has become a major governmental program responsibility. With the advent of the high-performance aircraft, with turbojet and jet power, and the supersonic transport, it makes it mandatory that the aircrew be not only selected but maintained at the highest point of physical efficiency.

To improve the medical examinations for our airmen and to forward research in the various fields of aviation medicine, there must be encouragement of basic courses for the undergraduate, residency courses for the graduate, and post-graduate training and education for the physician already in practice. These requirements can be taken care of only by an adequate Federal civil aviation medicine program and research activities.

We appreciate this opportunity to comment upon this matter and wish to assure you that this association will assist and encourage appropriate agencies in reaching the prime objective of greater safety in aviation.

Sincerely yours,

WILLIAM J. KENNARD, M.D.,
Executive Vice President.

NORTHERN VIRGINIA REGIONAL PLANNING
AND ECONOMIC DEVELOPMENT COMMISSION,
Arlington, Va., June 27, 1962.

Re H.R. 7399 and S. 2038.

Hon. CARL HAYDEN,
Chairman, Appropriations Committee
U.S. Senate, Washington, D.C.

DEAR SENATOR HAYDEN: The Northern Virginia Regional Planning and Economic Development Commission is concerned about the Dulles International Airport Highway. We wish to see the commitment that the 400-foot right-of-way may be used for additional highway construction respected in the event the highway is transferred to another agency.

The Commission has been involved for many months in an effort to elicit a reaffirmation from the Federal Aviation Agency of its commitment to reserve space within the highway right-of-way for future construction by the State of Virginia or local governments of parallel limited access highways to serve the impacted areas traversed. This was specified by the FAA in their 13-point policy statement of June 8, 1959, which was accepted by the Northern Virginia jurisdictions involved. Our efforts through Commission resolutions, as well as other attached resolutions including the Fairfax County Board Supervisors and the National Capital Regional Planning Council, addressed to Mr. N.E. Halaby, the Honorable Stewart L. Udall, and other individuals and agencies, have been unsuccessful. The Commission, which is charged with the responsibility of planning for the orderly growth and development of Northern Virginia, is deeply disturbed.

We are in agreement with the original commitment of FAA and have based the planning of adjacent areas on the existence of future parallel limited access highways within the 400-foot right-of-way. This Commission, however, feels that it is neither in the public interest, nor in the Federal interest, that the agreement made in seeking approval of the highway be abrogated now that construction of the highway is nearing completion. This Commission, therefore, cannot support bills H.R. 7399 and S. 2038 unless they are amended by either eliminating paragraph 7, section 6, which authorizes the transfer of the highway, or preferably retaining it and adding the following:

"No term or condition of any such transfer, and no regulation governing the operation and maintenance of the access road so transferred, shall prevent the future construction of additional highway lanes parallel to such access road, on land included within the right-of-way acquired for such access road, to meet local traffic needs."

Resolutions and background evidence in support of the stand taken by the Northern Virginia Regional Planning and Economic Development Commission, and reaffirmed at its regular meeting of May 31, 1962, are atached herewith.

Very sincerely yours,

WALTER B. SCHILLING,
Director.

NORTHERN VIRGINIA REGIONAL PLANNING AND ECONOMIC DEVELOPMENT COMMISSION

BACKGROUND EVIDENCE IN SUPPORT OF STAND TAKEN ON AIRPORT ACCESS ROAD POLICY AND OPERATION

On June 8, 1959, the Federal Aviation Agency presented to the several metropolitan agencies affected by the construction of an airport access road an official statement of policy itemizing the points to which it would adhere in the construction of the proposed airport access road. Point 7 of this document states: "Right-of-way for the airport access highway will be acquired to a width that will permit the ultimate construction of a dual-dual highway with the initial four-lane divided highway serving as high speed express lanes to and from the airport. Ultimately, an additional four lanes can be added, two lanes on each side of the express lanes and separated from them by wide median strips to provide a limited access highway for the local areas traversed by the highway route." Point 8 states: "Prior to the time that airport traffic alone justifies the development of the additional (outside) four lanes, the State of Virginia will be permitted to construct and maintain them as limited access, interstate-type highways in order to serve the local traffic in the northern Virginia area as well as airport traffic."

The above policy points were accepted by this Commission, Fairfax County, the National Capital Regional Planning Council, and the National Capital Planning Commission as firm commitments by FAA to these agencies and to their jurisdictions.

On July 17, 1959, the Administrator of FAA stated to the Senate Appropriations Committee: "The access road will be a high speed dual highway. It is being designed for the exclusive use of airport traffic by engineering features which will provide only for the use by vehicles destined for or departing from the airport. This is in accordance with the expressed desires of the National Capital Regional Planning Council and is compatible with Fairfax County zoning for the Potomac watershed. This policy is essential to prevent the access road from becoming saturated with traffic between the local communities and the District of Columbia, a condition which would defeat the purpose of providing such a highway wholly at Federal expense. Sufficient land is being acquired to permit the future construction of additional lanes parallel to the airport access road."

It should be noted that a facility of this magnitude is frequently built with 90 percent Federal funds, so the statement "wholly at Federal expense" actually addresses itself only to the last 10 percent above the usual 90/10 formula. It should also be noted that the Appropriations Committee was advised that sufficient land would be acquired for additional lanes.

FAA made a definite commitment to local jurisdictions in establishing their 13 policy points which we respectfully point out must be honored regardless of ownership or operation of the access road.

Recently the Federal Aviation Agency has sought to transfer this access road to the National Capital Park Service with full knowledge that it would become primarily a parkway subject to policies and regulations in conflict with FAA policy commitments. This commission recognizes that adequate landscaping should be provided by whatever agency administers this facility, in order to maintain an attractive approach to the Nation's Capital, but it is quite possible to landscape adequately within the "wide median strips" specified and still retain space within the 400-foot right-of-way for eventual construction of parallel limited access highways.

That this possibility is not contemplated by the Department of the Interior is noted in their letter to this commission on May 2, 1962, which stated: "The construction of the additional lanes to serve local commuting needs within the present right-of-way for the access roadway is not compatible with parkway purposes and standards of the National Park Service * * *. The commission's

concept for the development and use of this roadway would, we feel, require jurisdiction by some other Government agency other than the Department of Interior."

We concur.

RESOLUTIONS ADOPTED WITHOUT DISSENTING VOTE CONCERNING WASHINGTON INTERNATIONAL AIRPORT ACCESS HIGHWAY

FAIRFAX COUNTY BOARD OF COUNTY SUPERVISORS

Statement at meeting of February 14, 1962:

"The Fairfax Board of County Supervisors expresses the feeling that parallel roads should be permitted within the right-of-way of the airport access road and urges that no action be taken which would prohibit such construction in the future."

NATIONAL CAPITAL REGIONAL PLANNING COUNCIL

Resolution adopted at meeting of March 12, 1962:

"*Be it resolved*, That the National Capital Regional Planning Council reaffirms the Federal Aviation Agency's policy statement dated June 8, 1959, and be it further

"*Resolved*, That the airport access highway should not be transferred to the Park Service."

NORTHERN VIRGINIA REGIONAL PLANNING AND ECONOMIC DEVELOPMENT COMMISSION

Resolution adopted at meeting of March 29, 1962:

"*Resolved*, That any transfer of jurisdiction over the Dulles Airport Access Highway right-of-way, whether by legislative or executive action, should properly include reaffirmation of the Federal Aviation Agency's stated policy, which accords to the State of Virginia or any political subdivision thereof the right to develop parallel limited access highways within the 400-foot right-of-way, whenever there is a demonstrated public need for such roads to serve the localities traversed by the Airport Access Highway."

NATIONAL CAPITAL PLANNING COMMISSION

Statement adopted at meeting of April 5, 1962:

"The National Capital Planning Commission advises the Federal Aviation Administrator that the Commission favors the retention of the parklike character of the airport access highway but does not sanction any action with respect to the transfer of the highway which would in any way preclude or foreclose the construction of additional outside highway lanes, or other transportation facilities, within the right-of-way, to meet the transportation needs of any development in this corridor consistent with the policies plan for the year 2000."

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

Resolution adopted at meeting of May 24, 1962:

"The Metropolitan Council supports any action with regard to the development and transfer of the Dulles International Airport access highway which would not preclude the construction of the additional parkway lanes or transportation facilities within the right-of-way to meet the transportation needs of any development in this corridor consistent with the recommendation of the year 2000 policies plan, and, in view of stated policy of the National Capital Park Service, that the Metropolitan Council does not support the transfer of the Dulles International Highway to the Park Service."

AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES,
Wilmington, Del., August 6, 1962.

To: Members, Senate Appropriations Committee.
Subject: Facilities and equipment portion of FAA 1963 budget request.

The following telegram was sent to Senator Hayden, chairman of the Appropriations Committee:

"Request your committee's careful consideration to restoring to $135 million amount requested by FAA for facilities and equipment. Lack of navigational aids particularly at medium and small airports seriously handicapping dependability of civil aviation. Please refer to resolution, being sent you by mail today, adopted by this association regarding navigational aids."

Enclosed is a copy of the resolution referred to above. We urge your careful consideration of the urgent need for expanded air navigational facilities.

Thank you for your attention to this request.

Very truly yours,

F. R. HOYT, *Executive Director.*

RESOLUTION NO. 5—ADOPTED AT AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES, INC., ANNUAL CONFERENCE AND BUSINESS MEETING, AMBASSADOR HOTEL, LOS ANGELES, CALIF., MAY 23, 1962

Whereas the lack of adequate landing aids is retarding the proper utilization of small hub, nonhub, and secondary airports in adverse weather conditions by both airline and nonairline air traffic; and

Whereas this lack of instrumentation is causing a pattern of very unreliable and inadequate airline service which is contrary to the public interest; and

Whereas many business and executive aircraft although equipped at considerable expense to use all present landing aids are unable to complete business trips to many of these airports in marginal weather: Now, therefore, be it

Resolved by the American Association of Airport Executives in annual conference that the Federal Aviation Agency be urged—

1. To establish a priority for research and development of a solution to produce more adequate air navigational and lighting aids for small hub, nonhub, and secondary airport communities.
2. To consider the revision of FAA criteria for the establishment of landing aids at less dense, small hub, nonhub, and secondary airport communities.
3. Study the modification of already existing air navigation aids with a view to lowering minimums at airports with clear approaches.
4. To request adequate funds to provide these facilities at the earliest possible time.

FEDERAL COMMUNICATIONS COMMISSION

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
August 16, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee,
Committee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR WARREN: It is my understanding that your subcommittee is now considering a request for an appropriation for $3 million to enable the Federal Communications Commission to conduct an investigation of the telephone industry.

It has been about 25 years since an investigation of the telephone industry was made, and although not even all the shortcomings revealed by that investigation have been corrected, it seems to me that conditions have changed to such an extent that an investigation is warranted.

My senior colleague, Senator Kefauver, appeared before your subcommittee on August 14 and presented testimony on this matter. I believe the points which Senator Kefauver emphasized at that time are pertinent, and I do hope your subcommittee will see fit to act favorably on this request.

Sincerely yours,

ALBERT GORE.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
August 16, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on the Independent Offices,
Appropriations Committee, Washington, D.C.

DEAR MR. CHAIRMAN: The hearings and floor debate on the satellite communications bill have underscored a need for more effective regulation of the telephone industry by the Federal Communications Commission.

So that efforts to improve FCC regulation can be soundly based, there is a need to initiate, without delay, a thorough analysis of the industry's interrelationships, rate structure, and accounting methods. Such an investigation is long past due, since the last such study was undertaken nearly 25 years ago. Now is the crucial time, at the start of the era of communications satellites and other rapidly advancing areas of communications technology.

I have had an opportunity to read Senator Kefauver's fine statement before your subcommittee and wish to add my voice to his in requesting an additional appropriation of $3 million for the Federal Communications Commission to carry out such an investigation.

It is my firm belief that the public interest would be served by this appropriation, and I urge favorable consideration of your committee.

With kindest regards, I am,

Sincerely,

QUENTIN N. BURDICK.

U.S. SENATE,
Washington, D.C., August 16, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices of the Senate Committee on Appropriations, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing to support the request of Senator Estes Kefauver that the Independent Offices Subcommittee of the Senate Committee on Appropriations appropriate $3 million for the Federal Communications Commission to carry out a thorough investigation of the American Telephone & Telegraph Co.

That the company has engaged in questionable practices is apparent and considerable information on this matter was brought to the attention of the Senate and the general public during discussion of the satellite communications bill. The problems of the communications industry should be studied and either corrected or terminated.

I believe that an investigation of the industry's operation, both domestic and international, will aid in providing more effective regulation. Such an investigation certainly is in the public interest.

Senator Kefauver has suggested that the findings of this proposed investigation be reported to the Congress no later than January 1964. This time of 16 months seems adequate for the Federal Communications Commission to explore thoroughly the problems involved.

I hope the Senate Appropriations Subcommittee on Independent Offices will give favorable consideration to the request of Senator Kefauver.

With best wishes, I remain

Cordially yours,

ERNEST GRUENING, *U.S. Senator.*

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
August 15, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Appropriations Subcommittee on Independent Offices,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: For a number of years business, civic, and governmental leaders in Kansas City, Mo., have been coordinating plans for the expansion of the city's public buildings plaza, all contingent upon the start of construction on the new Federal office building. Plans are all complete, and bidding, contracting, and construction on this important building will proceed immediately when the appropriation is made by the Congress.

Start on this project will immediately activate a number of other buildings projects in Kansas City.

The President's budget request for fiscal year 1963 included $31,781,000 for this building. This sum, together with the $2,930,000 previously appropriated for purchase of the site and planning expenses would, in the opinion of the General Services Administration, assure completion of this building.

In H.R. 12711, however, the House reduced the President's budget request for construction costs by $2,592,000 to $29,189,000.

We, of course, join with the House in hoping that the project can be contracted within the smaller amount.

If an acceptable bid is not received within the lower figure, however, this ceiling in the appropriation would mean a delay of many months until a supplemental appropriation could be made in the next Congress. Such a delay would be extremely unfortunate in delaying other private, State, and local government building plans.

We would hope, therefore, that your committee and the Senate will restore the appropriation for the Kansas City Federal office building to $31,781,000, the amount requested by the President.

Your favorable consideration of this request will be appreciated.

Sincerely,

STUART SYMINGTON.
EDWARD V. LONG.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
August 15, 1962.

Senator WARREN MAGNUSON,
Chairman, Independent Offices Subcommittee,
Senate Committee on Appropriations,
Washington, D.C.

DEAR SENATOR MAGNUSON: Several weeks ago we expressed our concern, by letter to you, about the action taken by the House of Representatives in deleting construction funds for the courthouse and Federal building in Billings, Mont.

We continue to feel that this was unwise. The Billings project was the only one deleted. We are convinced that this action was based upon incomplete information and analysis of the situation in Billings. The architectural work is complete and the site has been purchased. We urge that the Senate Committee on Appropriations recommend the restoration of these funds.

We also support the funds being requested for planning, design, and site acquisition for new Federal building projects in the current fiscal year. This will include work on new facilities and modernization in Bozeman, Havre, Helena, and Missoula, Mont.

We are disappointed to note that the small business management research program seems to be faltering and about to expire due to a lack of adequate financial support.

This modest but important program was created by the Small Business Act, amended in 1958, to provide research grants to colleges, universities, and appropriate State agencies for studies concerning the problems of small business enterprises. Under the law, a maximum of only $40,000 could be granted within any State in any one year. The approximately $40,000 that was granted in Montana under the program in both 1959 and 1960 permitted some valuable studies to be made by Montana State University, Montana State College, Montana School of Mines, and Northern Montana College. Except from the Federal Government there is practically no money available to higher education in our States for this type of study which is so helpful in sustaining and expanding small businesses in the State.

The studies conducted by Montana schools concern problems of small lead and zinc mining enterprises, expansion and diversification possibilities of small metalworking shops, small business training requirements, the effect of a natural resources economy on small business, growth potential of small meatpacking businesses, and diversification possibilities for small wood fabricating concerns.

We mention the specific nature of these studies in order to point out what we consider one of the primary benefits of the management research program. First, these are not the types of research activities likely to be carried on by the more heavily endowed institutions in the industrial areas of the country, which are the institutions that are able to conduct research without the assistance of

Federal programs of this type. Secondly, studies such as those conducted in Montana under the management research program are of direct benefit to the economies of the very areas that lack heavily endowed institutions, and which, therefore, do not otherwise benefit from economic research activities.

We represent a State of vast physical proportions—an area that stretches from the northern Great Plains to the Rocky Mountains, and contains only some 700,000 persons. These 700,000 citizens of Montana carry the burden of operating a complex economy that includes agriculture, mining and smelting, petroleum and natural gas, tourism, lumber and wood products, milling, brewing, meatpacking. These same 700,000 persons support six institutions of higher education. Thus, although the problems of small business management in Montana are as varied and diverse as in most States, local resources for the support of research programs are negligible. The management research program helps to solve that problem.

Our small businessmen are the real exemplars of American private enterprise. Yet past experience shows that there is a turnover of one out of every four business concerns in our economy every year. At a time when we are looking for stimuli for the Nation's economy we should not allow the curtailment of a program designed to aid and stimulate the very foundation of the economy.

Although the management research program was fully supported in fiscal years 1959 and 1960, what has happened since 1960 causes us to submit this statement to your committee now.

In its original budget request for 1961, SBA requested $2,080,000 for continuation of the grant program. This was eliminated by the Bureau of the Budget. Although the Senate version of the bill that year contained a floor amendment to reinstate the funds, the amendment did not survive in conference. For 1962, SBA requested $2,120,000. The Budget Bureau pared this to $500,000, but too late to be included in the appropriate request. The $500,000 request was part of the supplemental requests that went before the House Subcommittee on Deficiencies, where the item was eliminated.

We think it unfortunate that the budget for fiscal 1963 does not include any appropriations for the management research and counseling grant program. We earnestly hope that this committee will consider reinstating funds for the program in an amount determined appropriate by the SBA in accordance with the authorizing legislation.

Another item of interest to us is the appropriations request for the Federal Power Commission. We urge the committee to approve the $11,100,000 figure in the budget request and to reinstate the $1,153,500 that the House cut.

The FPC is empowered, under the terms of the Federal Power Act and the Natural Gas Act, to regulate the power and natural gas industries in the public interest. Neither legal power alone, nor the decision to regulate, nor public statements concerning the need to regulate can accomplish effective regulation in the public interest. A regulatory commission saddled with an inheritance of inertia and an undermanned staff cannot discharge its public responsibilities.

We have now a determined Commission, resolute in its desire to act effectively in behalf of the public interest. A sincere effort is being made. But more funds are needed.

A request of $11,100,000 for a most important guardian of consumer rights is not fiscally unsound. In terms of benefits secured for consumers, the FPC pays its way. As Chairman Swidler pointed out before this committee, the appropriation request for the natural gas program amounts to between 15 and 20 cents per customer for an entire year. This is equal to only 4 percent of the pipeline rate reductions ordered last year by the Commission. The return to the consumer and to the Nation from funds invested in the national power survey and in comprehensive development of the country's water resources will be incalculable.

We endorse the efforts of the FPC and commend it as deserving of full congressional support.

Very truly yours,

MIKE MANSFIELD,
U.S. Senator.
LEE METCALF,
U.S. Senator.

BILLINGS, MONT., *August 13, 1962.*

Senator WARREN MAGNUSON,
Chairman, Senate Committee on Appropriations,
Senate Office Building, Washington, D.C.:

DEAR SENATOR: We strongly urge you to use your influence in having the appropriation for the Federal office building in Billings, Mont., restored. We need this building and the future payroll it will provide as a stimulus to our lagging economy. Further, we feel that moneys already expended would warrant completion of the building.

Sincerely,

O'MALLEY LUMBER CO.,
R. J. O'MALLEY, *President.*

BILLINGS, MONT., *August 16, 1962.*

Senator WARREN MAGNUSON,
Chairman, Senate Committee on Appropriations,
Senate Office Building, Washington, D.C.:

DEAR SENATOR: We believe a careful review of all the factors concerning the deletion of funds for the contemplated Federal Office Building at Billings, Mont., was and is not justified. We think the actual needs of the various agencies who will benefit and the economy of our area should supersede the desires of the relatively small groups of landlords who have effectively caused the action.

Sincerely,

HURD LUMBER CO.,
C. B. HURD, *President.*

ROYBAL INSURANCE AGENCY

PHONE 252-4104 POST OFFICE BOX 171 JESS ROYBAL BILLINGS, MONTANA PHONE 252-4104

TO HOUSE OF THE SENATE
Appropriations Committee
Washington, D.C.

DATE August 4, 1962

SUBJECT

Gentlemen:

We greatly appreciate the stopping of the wasteful and unnecessary proposed federal building in Billings. We already have considerable empty office space, even in the building which we are in. This building is half empty and we do not need additional office space in the city at the present time.

Very truly yours,

ROYBAL INSURANCE AGENCY

Jess Roybal

JR:dkb

cc: Senator Mike Mansfield
Senator Lee Metcalf

CONFIRMEMO SIGNED

RETURN REPLY TO
ROYBAL INSURANCE AGENCY
P. O. BOX 171
BILLINGS, MONTANA

PLEASE REPLY HERE

DATE

KEEP CARBON COPY FOR YOUR FILE SIGNED

GENERAL SERVICES ADMINISTRATION

STATEMENT BY DAVID B. HUDNUT, RE PROPOSED FEDERAL OFFICE BUILDING, IN BILLINGS, MONT.

The construction of a Federal office building in Billings, Mont. is now under consideration before the Senate. The House committee rejected the appropriation for the building stating that:

"The courthouse and Federal office building at Billings, Mont., has been deleted as there is adequate rental space in the locality at reasonable rates and the construction cost of the proposed building is so high as to raise serious question of its economic soundness."

I make this statement to urge that the Senate follow the lead which the House has given by disallowing this appropriation.

The argument is simple. Constructing the proposed building would cost the Government more than a continuation of its present policy of renting office space in Billings. It would have an adverse effect on the long-term growth prospects of the city. Finally, the city itself does not seem to favor the building.

As regards the first point, a simple tabulation indicates the increased cost which the building would entail. (The figure of 40 years is the one suggested by the Government as the aprpopriate period of amortization.)

Announced cost of the proposed building	$6,516,000
3.75 percent interest on the announced cost	5,009,180
Cost of maintenance, utilities and custodial service for the 40-year amortization period	8,000,000
Total cost of building and operation for 40 years	[1] 19,525,180
40 years rental at present rates	5,981,360

[1] Figures from GSA report of Sept. 14, 1959.

Subtracting the rental figure from the total cost figure it is seen that $13,643,820 would be saved for the taxpayer by continuing the current scheme rather than constructing a new building.

Aside from the straight dollar comparison of the two schemes, it is necessary to evaluate current conditions in Billings. The city is now readjusting to compensate for an oil flurry which did not live up to expectation. As a result, there is now much unoccupied office space—estimates vary beween 200,000 and 300,000 square feet. Mobil Oil, Humble Oil and Consolidated Trucking, among others, have vacated office space in Billings which they leased during the prior decade. The U.S. News & World Report of August 28, 1961, in an article on the proposed building, concludes at one point that "Billings has empty office space coming out of its ears." To compound this difficulty by creating new vacancies would be economically irresponsible. The city already has problems of readjusting to a slower economic pace and these problems would be aggravated by expansion at this time.

Finally, the reaction to the building in Billings itself since the announcement of the House decision is worth noting. KOOK, a local radio and television station, has offered free time to anyone who would debate the affirmative side of the proposed building. Thus far the time has not been taken. KBMY, another local radio station, editorially stated on July 29:

"Federal Government officials in Billings are not unhappy about the committee turndown. They themselves appear to be quite satisfied that their present quarters are adequate * * *. The tendency of big Government to waste * * * is deplorable."

The Billings Gazette on July 27 quoted various department heads as follows:

"We get a little snug at times but we're pretty satisfied with 804 North 29th Street."

JAMES F. CANAN,
BIA Area Director.

"We're pleased as we can be with the new building we're renting at 2 South Seventh Street. We sure don't want the Federal building. The thought of all that downtown congestion and all those parking problems really had us worried."

AL SOLLID,
U.S. Geological Survey.

"1015 Broadwater Avenue is snug, but we like it."

BOB VAN GIESON,
Custer National Forest Headquarters.

"We're adequately housed at 1245 North 29th Street. The news isn't a serious blow to us at all."

ED ROWLAND, *BLM Manager.*

"We're perfectly happy with 709 Central Avenue."

BRUCE JOHNSON,
Bureau of Reclamation Director.

Each of these addresses represent a capital investment by local businessmen. These men pay local and Federal taxes. The proposed building would be a serious economic blow to each of them. Through them it would adversely affect the community in which they live. Were the building to be accompanied by a commensurate saving of taxpayer's dollars, it would be justifiable. As it is not accompanied by a saving, but rather a $13½ million increased expenditure, it is not justifiable.

Each of these addresses was built expressly for the Government. To remove the various Government offices from them at this time would be represensible.

As the proposed building cannot be justified on fiscal grounds, will not contribute to the growth of Billings, and is not desired by its prospective tenants or the articulate voice of the community, it is respectfully requested that no appropriation for the project be allowed.

KENYON-NOBLE LUMBER CO.,
Bozeman, Mont., April 11, 1962.

Senator CARL HAYDEN,
Chairman, Senate Appropriations Committee,
Senate Office Building, Washington, D.C.

DEAR SIR: I am writing to you to express one businessman's opinion concerning the new Federal building planned for Bozeman. We are aware that group opinions carry much weight but I am sincerely concerned about this venture brecause it is also a personal concern to us.

It is difficult for us to understand how the planning for a new Federal building has been arrived at. We cannot help but feel that a project of this dimension should be a desire of the majority of the Bozeman residents. We are aware that at least one man, Eugene Graff by name, has been campaigning for this for some time but the consensus of opinion from businessmen I have talked to, feel this is not a majority desire but a vastly minor one. The news of a new Federal building for us came as a complete surprise to Bozeman. In most cases the wheels of Government grind slowly but in this case we were informed by news service about 10 days ago that plans for a new building were underway, this morning it was reported the House Appropriations Committee had approved the prospectus, and I am afraid that before this letter reaches Washington the Senate committee will have acted on it too. Many of us who are in business here wonder why this wasn't first discussed with civic groups or at least the chamber of commerce before plans were formulated. It is possible the Federal employees who work in the agencies affected knew of the plans but we find it difficult to believe they would personally be unbiased for the good of the community against the luxury of new working quarters, and they would be luxurious if we can believe the prospectus in stating that Government-leased space is substandard here in Bozeman. We, here in Bozeman, believe we have adequate rental space for any and all Government offices with the exception of the post office, and we do not believe it is substandard.

In 1958 we built a two-story cement structure. The upper floor in its entirety we lease to the U.S. Government for the soil conservation. They lease some 5,800 square feet of space from me for $2.85 per foot. This does not include the extra space they have in halls, restrooms, and closet space. We pay the gas and electricity plus janitor fees. Each year we have written the General Services office to determine their need for more space. Our building was designed so that two more floors can be added. General Services have answered each time that they have had no requests for more space and did not anticipate needing more space in the near future.

We are small, we have a loan with the Small Business Administration and make payments regularly. We also pay local, State, and Federal taxes regularly. The new Federal building will not pay taxes and will take many residences and possibly businesses off the tax rolls, depending where the land comes from for the site. We feel Bozeman does not lack suitable space for Federal offices. At this time in Bozeman there is office space vacant.

Mr. Lawson Knott, Acting Administrator of General Services, states in a letter that since the Government will relinquish no more than 14,000 square feet of leased space, he feels the proposed building will not have a sever impact on the rental of commercial space in Bozeman. According to our interpretations of the prospectus, the only space not relinquished will be the space now leased from Montana State College and space now occupied as warehouse, garage, and shop space. This would suggest to us that all the business offices will be vacated in favor of the new building. Are we correct in this assumption? If so, this would leave about 12 leases that would be vacated and would appear to affect the economy of the present properties a great deal.

The April 9 issue of the U.S. News & World Report, pages 40–41, states: "The Federal Government owns 286 million square feet of office space, not including space for the Armed Forces, at a cost of $2.5 million." The Federal Government could well be declared in the real estate business. If this much footage was privately owned it would add greatly to the benefit of our country in the tax moneys it would bring in. The same magazine, April 16 issue, in a special report entitled "One More Boom That's Running out of Steam" states, "In some key cities the vacancy rate of office buildings is a cause for worry." This appears to be true in Bozeman. There are vacancies appearing with more frequency that are not being rerented.

It is our sincere desire that more thought be given this proposal and an on-the-spot survey be made, before approval is given. We believe some of the figures in the prospectus are incorrect.

Yours very truly,

WILLIAM V. OGLE, *Manager.*

DENVER, COLO., *August 14, 1962.*

Senator CARL HAYDEN,
U.S. Senate, Washington, D.C.:

Am alarmed at apparent acceptance of plan to rehabilitate building 53. Will completely disrupt work efforts for next 2 years minimum. Virtually impossible to work in building being rehabilitated. No available space to move. Communications between all departments imperative. These costs would go a long way toward cost of new building. Make every effort to forestall decision on warehouse and building 53. Believe complete plan justifying expenditure. Move planned and costs necessary to prove point. Suggest eliminating from budget this year.

ROBERT H. KOUNS,
Chairman, Building Committee, Local 128, AFTE.

HOUSING AND HOME FINANCE AGENCY

U.S. SENATE,
Washington, D.C., August 13, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices,
Senate Appropriations Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: The cut by the House in operating funds for FHA has already resulted in curtailment of needed services to the real estate industry in Michigan.

The reduction for administrative expenses from $10.8 to $9.5 million reduces current levels of operation substantially.

May I request that your committee consider increasing this item in order that the construction industry, vital to our economy, may not be hamstrung.

Thank you very much.

Sincerely,

PHILIP A. HART.

NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS,
New York, N.Y., August 3, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Appropriations of the Senate Appropriations Committee, Washington, D.C.

DEAR SENATOR MAGNUSON: I am writing to urge your favorable consideration of the request for funds from the Housing and Home Finance Agency for its urban and housing studies research program. This program encompasses comprehensive investigations into all phases of our urban and housing economy, of both a technical and economic nature. Studies already undertaken and contemplated for the near future by HHFA will be of great interest to the savings banking industry, other mortgage lenders, and all private and public groups concerned with the sound development of housing and urban affairs.

The study of housing market transactions, already begun by HHFA, has proved quite valuable, and this should be continued. Proposed studies on impediments to interstate mortgage lending, the financing of shell home construction and purchase, as well as the study now underway on mortgage foreclosure experience, are all quite pertinent to the current and future understanding of housing market developments.

As a close student of housing and mortgage markets for many years, and one who has authored research studies, I am convinced of the basic importance of maintaining a strong housing research program at the Federal level. Moreover, I can assure you that the savings banking industry, which has provided more mortgage money for FHA and VA loans than any other type of lender over the past decade, considers the HHFA research program a basic aid to sound formulation of mortgage lending policies.

Thank you for your consideration in this important matter.

Sincerely yours,

SAUL B. KLAMAN,
Director of Research.

FEDERAL STATISTICS USERS' CONFERENCE,
Washington, D.C., August 7, 1962.

Hon WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Senate Appropriations Committee, The Capitol, Washington, D.C.

DEAR SENATOR MAGNUSON: I am writing to express the interest of the Federal Statistics Users' Conference in two statistical programs included in the independent offices appropriation bill for 1963 now before you. The Federal Statistics Users' Conference is an organization of over 150 business, farm, labor, and nonprofit research organizations which use Federal statistics and are interested in their improvement.

The conference urges you and your committee to give careful consideration to the administrative expense limitation for the Federal Savings and Loan Insurance Corporation. The Corporation conducts a comprehensive monthly survey of mortgage interest rates. The survey is unique in that it brings together in one place all the available information on mortgage lending by all the different kinds of lenders. Its cost is minimal because the Corporation has been able to secure a high degree of cooperation from other Federal agencies. The amount available for this survey, as provided within the administrative expense limitation approved by the House will not permit the Corporation to make the most efficient use of the information now flowing in. Analysis and interpretation of the raw data is an integral part of a program like the mortgage interest survey. The usefulness of the present data to both governmental and nongovernmental users would be greatly increased if the Corporation were to have adequate resources to exploit fully the informational values they contain.

The Federal Statistics Users' Conference also hopes that you and your committee will give careful consideration to the requested appropriation for urban studies and housing research in the Office of the Administrator, Housing and Home Finance Agency.

Parts of this program are of considerable interest and importance to many nongovernmental users of Federal statistics. Of special importance are the proposed programs to develop comprehensive data on current housing market transactions and statistics on sales prices and sales volume of new homes. Together, these two programs would go far toward meeting a long-felt need for

information about the characteristics of new housing which users have again and again identified as being of first priority importance.

The Federal Statistics Users' Conference hopes that the Housing and Home Finance Agency will be able to continue its efforts to fill some of the major gaps in existing information on housing.

Sincerely yours,

HERBERT STEIN, *Chairman.*

AMERICAN INSTITUTE OF PLANNERS,
Washington, D.C., August 9, 1962.

Re independent offices appropriation bill, 1962 hearings.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Committee on Appropriations, Old Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: On behalf of the American Institute of Planners, I would like to transmit to you a statement on the need for a more adequate national urban research program. This statement was adopted officially by our board of governors in a meeting in Denver, Colo., in 1961.

This statement is called to your attention, at this time, in connection with the current hearings being held by your subcommittee on the budget request of the Housing and Home Finance Agency.

We were pleased that the initial series of HHFA studies into urban growth and housing problems was allowed to begin last year and, from the limited material already available, we believe that this program is proving to be worthwhile.

With the recent growth of our national population in the 1960's, adding 30 million more people, and common expectations that this will continue to take place, we find that our cities and urban communities across the country face unprecedented problems. Many of these problems require further studies and analyses before individual communities will be able to devise programs and policies to cope with their problems.

While we prefer the ultimate development of a large scale continuing program of research into urban growth and development problems, we find that the studies proposed to be undertaken next year are significant and important. These include the study of greater efficiency in community services, development of satellite towns, inflation in the prices of land, demand for metropolitan transportation services, and the various market data programs for statistical series.

We believe the appropriation request for $1,450,000 is easily justifiable, if not grossly insufficient.

As professional urban planners working to better advise our local communities and private developers on these problems, we know that a great deal more information and knowledge must be made available, if we are to achieve cities that are efficient, economical, and pleasant places in which to live and raise our children.

Very truly yours,

W. C. DUTTON, Jr., *Executive Director.*

ATTACHMENT NO. 1 TO REPORT OF ACTIONS BY BOARD OF GOVERNORS, APRIL 30-MAY 1, 1961

AIP STATEMENT ON RESEARCH NEEDS

(The following passages of the statement of Harold F. Wise, chairman of the national legislative committee, April 27, 1961, are affirmed unanimously by the board of governors on April 30, 1961:)

We would like to comment specifically on the need for a greater recognition of the important and essential nature of a comprehensive and well-thought-through research program in housing, urban development, and metropolitan problems.

Housing and Home Finance Agency Administrator Robert C. Weaver, in his testimony before a Senate committee in April 1961, said:

"I believe that we are on the threshold of some remarkable breakthroughs in urban design, including relationships between land use and transportation, as well as in housing construction. Private industry is currently spending on research and development more than 12 percent of the amount that it invests in plant and equipment—and this is paying off handsomely for the entire economy. Public undertakings involving large commitments of the Nation's resources should also be guided and improved by research and experimental studies."

Mr. Weaver pledged the administration's support to an expanded research program. In light of the total number of dollars that are involved, the $2½ million most recently authorized for research in these areas by the Congress, in 1956, seems to be a pittance. If, for example, there were to be provided 12 percent of the $4½ billion requested for capital grant athorization for the urban renewal program alone, (of which $2 billion already has been spent or committed) we would be talking of something close to $540 million for research on problems related to urban renewal.

The Federal Government, according to a Budget Bureau analysis, actually spent in 1960 in excess of $7 billion for research and development, $6⅓ billion of this had to do with major national security. In the fields of labor and welfare, almost $370 million was spent; $106 million were spent in agriculture, $83 million in natural resources and almost $400 million in what the Bureau of the Budget refers to as commercial, housing and space technology. Of that amount, only $15,000 was spent by the Housing and Home Finance Agency. The Bureau estimated that, in 1961, of the $8 billion plus for research and development, $9,000 would be spent on research by the Housing and Home Finance Agency. The 1962 estimate of just under $9 billion for research and development provides for no expenditure on research on housing and urban development problems.

This is an astounding and shocking matter.

The American Institute of Planners prepared in May of 1949 an extensive report on a needed program of research in the urban environment. Included in there, for example, were suggestions for study on traffic generation, design as a factor in municipal and residential cost, industrial requirements and location, the organization for metropolitan planning, neighborhood conservation and rehabilitation, and so forth. Ten years later the institute prepared a further analysis of the research needs in the field of city development and the environment, and concluded that considerable research is needed if we are to learn how to build our cities and metropolitan areas better. Relatively little has been accomplished since that time due to the lack of a continuous federally support program.

In October 1959, the Highway Research Board issued a monograph entitled "A Framework for Urban Studies; an Analysis of Urban-Metropolitan Development and Research Needs." This succinct report suggests the pressing need for detailed study on such matters as the development of a theory of urban development; studies of urban facilities standards; development of major policy on urban planning; urban government finance; public education and participation in urban affairs; and further studies specifically with regard to urban circulation, dealing with expressways; the role of mass transit; land use patterns and travel volumes; eminent domain and other land acquisition programs and the relocation of displaced families and land uses.

Major decisions in urban affairs are being made today on an almost trial and error basis. In every one of these fields of suggested inquiry, decisions are being made throughout the country, such as between the highway and the housing programs, involving a total of many billions of dollars. And yet we have not taken the time to understand our successes, find out reasons for our failures and to establish a realistic range of requirements and priorities.

We urge that the administration energetically engage in the accomplishment of a broadened research program. We question as to how much longer we really can afford to make the commitments and spend the money that has been authorized by the housing bills cumulatively since 1949, without fully assessing what our effectiveness has been, how we may be more efficient, or how, indeed, we must tool up and develop new products.

ATTACHMENT NO. 2. REPORT OF ACTIONS BY BOARD OF GOVERNORS, APRIL 30–MAY 1, 1961

AIP STATEMENT ON FELLOWSHIP AND TRAINING PROGRAMS NEEDS

(The following passages of President Corwin R. Mocine's letter of April 26, 1961, are affirmed unanimously by the board of governors on April 30, 1961:)

We continue to be most concerned about the shortage of trained and experienced personnel in the fields of urban and metropolitan planning (including research and teaching positions), urban renewal, community development, and other related fields and professions.

We foresee that the programs now in operation and needed to prepare adequately for the coming expansion of our population in urban communities and to relieve oppressive conditions in our distressed urban blighted areas will not be carried out successfully unless a greater supply of people are available in the public service professions.

While we cannot speak for the quantitative needs of other professions, we believe that the annual supply of professional planners trained in our graduate schools needs to be approximately double the current output of about 200.

We also know that there is widespread interest in urban planning as a professional career, but that promising candidates are often unable to afford the expense of the 2-year postgraduate course. There are a number of existing schools to teach professional planners but there are relatively few scholarships available, as is also true in certain other public service professions.

We submit the following list of needs as expressing some of the problems involved in developing an adequate professional planning educational system.

SOME NEEDS IN SUPPORT OF PLANNING EDUCATION

(*a*) Fellowship funds are needed to encourage high-caliber students to enter the field and to help reduce the manpower problem. No highly qualified candidate for graduate study in planning should have to forgo the training because of financial need. In other public service professions (such as public health and social work) the need for federally financed fellowships has been recognized, and today practically all the graduate students enrolled in these two programs throughout the country benefit from Federal fellowship grants. Appropriate supporting payments should be made to the institutions attended by the students.

(*b*) Selecting students: Tests need to be devised to assist the planning schools in the selection of students, and to make sure these fellowship funds are to be well spent. There are no adequate tests at present. A substantial sum should be made available for this purpose and some agency, such as the Educational Testing Service, commissioned to develop tests which would attempt to identify the attitudes and aptitudes the planning schools should be seeking in the recruitment of students.

(*c*) Improvement of instruction: Funds are needed to facilitate improvement of instruction within the planning schools. Most planning schools are relatively new and understaffed. Many are in somewhat isolated locations and seldom benefit from the stimulation brought about by visiting professors, lecturers, and distinguished practitioners. Inadequate travel budgets at most planning schools provide little opportunity for visits to other schools, or for attending national or regional meetings where problems of planning education are discussed.

Teachers in planning schools need to compare notes and approaches relating to instruction in a variety of subjects, and need travel grants to this end.

Summer seminars are needed to bring together the outstanding teachers of planning-related subjects along with representatives of interested planning schools to discuss course content, problems and approaches. Summer salaries as well as stipends to cover travel and subsistence would be needed to insure optimum attendance of "teachers" and "students" in such an undertaking. Such seminars could be held over a period of several years to permit discussions in depth on such subjects as "theory and history" one summer, "land economics and transportation" another summer, etc.

Roving professorships are needed, whereby distinguished scholars and practitioners (in the pay of the Federal Government) would be made available, for a semester, on application to any planning school requesting such assistance, on the basis of demonstrated need. In this way the scarce resources in this new profession could be shared by a number of institutions.

Visiting lecturers on specific subjects from this and other countries are needed. They could be centrally selected and rotated to the educational institutions that can gain the most from them.

We particularly were pleased by the recognition of this problem by President Kennedy in his message of March 9, 1961, relative to "Our Nation's Housing." He said to this point.

"* * * yet we have lagged badly in mobilizing the intellectual resources needed to understand and improve this important sector of our civilization. The problems related to the development and renewal of our cities and their environs have received comparatively little attention in research and teaching.

"To encourage the study of these pressing problems and to train a sufficient supply of skilled manpower will require a substantial commitment of resources. Universities, private research groups, professional and business organizations can all contribute. But the Federal Government must play a key role in support of these activities—through leadership and financial assistance."

NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS,
Washington, D.C., August 14, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Committee on Appropriations, Old Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: We appreciate this opportunity to file with your committee a short statement on behalf of the National Association of Housing and Redevelopment Officials on the appropriations bill under consideration which includes funds for the Housing and Home Finance Agency and its constituent agencies.

Since our organization is a professional association primarily concerned with the local administration of the urban renewal and housing programs, we would not be so presumptive in terms of Federal agency appropriations as to suggest specific amounts of money needed to operate the agencies. However, in view of the body of experience on the local operations of these programs and the day-to-day contact with the needs of these programs by our association's members, we would appreciate having your committee consider our views on several items in the HHFA appropriations bill.

First, we are concerned that the urban renewal program move forward successfully and expeditiously. Now that more and more projects are moving into the advanced stages of execution and redevelopment, the role of the Urban Renewal Administration is changing in some important aspects. Whereas URA has been staffed to a large extent for processing applications, it is now finding that it needs to provide, in addition, technical assistance of a new kind on subjects of design and redevelopment. This change of character and the continuing growth of the program in the volume of cities and projects in the program seems to warrant an increase in the field and central office staffs of URA. Programs cannot move forward at the local level if the Federal agency is inordinately slow in its processing and action on projects due to personnel shortages. This is especially true at the field office level where most of the Federal-local relations are carried out.

With the program moving from the public effort of project planning and execution to the private effort of redevelopment, the Federal Housing Administration is beginning to play a crucial role in the urban renewal process. In this respect, our local members in the renewal program feel that it is essential that FHA be able to bring its processing and servicing operations up to date and keep them that way through the use of more staff and more specialized positions relating to urban renewal if necessary. The private redevelopment of cleared urban renewal land depends to a large extent upon FHA's ability to assist the local public agencies and the redevelopers with their processing, financing, and construction of new buildings.

In addition, efforts to direct the urban renewal program more toward rehabilitation than clearance depend equally upon the role of FHA in the rehabilitation of blighted neighborhoods. The role of FHA is perhaps even more indispensable in the rehabilitation program than in new construction. Also the problems and administration of the rehabilitation program are more difficult. Therefore, as its activities relate to the urban renewal program, FHA needs additional highly qualified staff if the redevelopment and rehabilitation of our cities is to be accomplished successfully.

On the open space land program we hope that although the full amount appropriated last year was not used, Congress will make available the full amount authorized in the Housing Act of 1961 as needed.

On the needs of the Public Housing Administration, we urge the committee to give careful consideration to the agency's requests in view of the increasing supervisory and processing workload of the agency. The requests for PHA seem justified in view of the increasing size of the program especially in housing for the elderly and the additional authorizations made in the Housing Act of 1961.

On August 6, 1962, I sent a letter to you outlining NAHRO's deep concern for an adequate research program into housing and urban problems. Here I wish only to reemphasize our strong support of such a research program.

We appreciate very much the privilege of making known to you the views of our association on the portion of the independent offices appropriations bill relating to the Housing and Home Finance Agency.

Yours truly,

A. J. HARMON, *President.*

NATIONAL ASSOCIATION OF HOME BUILDERS,
Washington, D.C., August 14, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices of the Senate Committee on Appropriations, Washington, D.C.

DEAR SENATOR MAGNUSON: Business needs as much help as it can get right now. Certainly this is true for homebuilding.

We may—or we may not have a good year, depending on how well current sales continue. But every effort ought to be made to aid, not hinder, the present somewhat uncertain homebuilding picture during the coming months and year.

Opportunity exists to do exactly this with respect to next year's operations of the Federal Housing Administration. In H.R. 12711, the independent offices appropriation bill, 1963, these funds—not appropriated from taxes but simply authorized from FHA earnings—were cut substantially below estimated needs.

Authorized funds for the Washington FHA headquarters (largely fixed administrative expenses) were cut $1.3 million. Funds for FHA field operations (labeled nonadministrative expenses) were cut $9.4 million, to a point below the current budget.

Yet the speed with which FHA and its field offices can process sales of new and existing homes turns in large measure upon the availability of adequate funds for their operation. And this directly affects the success of private business efforts.

For example, present use of FHA financing (which is helping considerably in a promising housing starts picture) depends completely on FHA's maintaining and enlarging its current rate of expenditures, a level of spending which has been absolutely necessary to clean up and streamline processing backlogs.

But this would be forced backward, with layoffs and immediate new backlogs if the House budget cuts should be approved. This couldn't happen at a worse time for the industry since it would take effect as we go into the late summer and early fall sales season and the planning of next year's production.

To the west coast, the Southwest and the southern regions of the country, the quick operation of the FHA and its field offices makes a drastic difference to the prosperity of home building and related businesses. Lack of adequate FHA field funds promptly and seriously throws a brake on the velocity of the real estate market.

Slow and backlogged FHA field offices also will quickly and effectively defeat much of the work of Congress in enacting the Housing Act of 1961. We worked hard to support the passage of this act and its new programs.

We urge restoration of the amounts cut from FHA's budget. This is no time to debilitate the effectiveness of an experienced and well staffed agency or its prudent management.

Nor is the possibility of a supplemental bill next year any real answer to a present budget cut; at best the record shows it take weeks for congressional approval and the resultant timelag in hiring and training new personnel makes supplemental action relatively ineffective for the building year in which it is taken.

When Congress is being asked to approve new programs of expenditures to shore up employment and business conditions, every advantage should be taken of available resources. FHA funds come solely from the fees and premiums paid by the home building and real estate industry and the home buying public. No tax funds are involved.

With the economy needing every boost it can get, therefore—please make sure that FHA and its field offices are placed in the best possible shape during the coming year to aid the private financing and construction industries in providing more new homes, more jobs, and a greater market for building materials.

We greatly appreciate your long-standing interest in housing matters and your continued support of measures to aid private homebuilding and homeownership. Thank you for your attention in this matter.

Sincerely,

LEONARD L. FRANK, *President.*

TRENTON, N.J., *August 16, 1962.*

Hon. WARREN MAGNUSON,
Chairman, Senate Independent Offices Appropriations Subcommittee,
Washington, D.C.:

The action of the House appropriations committee in refusing to allow the unexpended balance of funds in the Federal open space program to remain available for combating urban sprawl and promoting better patterns of urban development comes as a shock to us.

New Jersey and other States have passed major open space programs. The overwhelming referendums approval of these programs is proof positive of public concern for the future of open space. We hope the Federal Government will be able to remain in concert with the States in their efforts to combat this growing national problem. We strongly urge that the House-imposed limitations in H.R. 12711 on the open space program be removed and that the administration's request for the full $50 million be restored.

Respectfully,

RICHARD J. HUGHES,
Governor of New Jersey.

NATIONAL ASSOCIATION OF REAL ESTATE BOARDS,
REALTORS' WASHINGTON COMMITTEE,
Washington, D.C., August 16,1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices,
Senate Committee on Appropriations, Washington, D.C.

DEAR SENATOR MAGNUSON: On behalf of the National Association of Real Estate Boards, an organization of more than 72,000 real estate brokers in over 1,400 local real estate boards, I strongly urge that your subcommittee restore cuts made by the House of Representatives in these two areas:

1. *FHA operating expenses.*—The House reduced by almost 12 percent the moneys estimated to be required by the Federal Housing Administration for administration and nonadministrative (field) expenses. As a result, the FHA has been forced to reduce its use of fee appraisers and to curtail the use of overtime to meet heavy application processing demands. Many realtors have already contacted this office complaining that the cutbacks is adversely affecting FHA's service to home buyers.

I am confident that you are aware that the FHA earns more from fees, charges, and insurance premiums than it needs for its operating expenses. This makes the drastic cutback all the more difficult to understand.

2. *Urban studies and housing research.*—The budget requested an appropriation of $1,450,000 which was reduced by the House to $375,000. We urge that your subcommittee approve the entire amount in order that the Housing and Home Finance Agency might continue some studies already started and initiate others which we believe will provide useful analytical tools for both industry and Government.

For example, the survey of housing market transactions to be carried out by the Bureau of Census would provide a rich body of data to assist in arriving at policy decisions relating to most of the programs administered by the HHFA and its constituent agencies.

Another statistical service on the volume of sales and prices of new homes will develop data which the FHA needs to provide the greatest protection to the home buying public.

I will not take the time to explain all the programs involved, but each is motivated by a sincere desire to gear all the Federal housing programs toward greater service to the consumer. Each will assist the agencies involved to meet more effectively the mandates expressed by the Congress in the many housing statutes which have been enacted over the past several years.

Your sympathetic consideration of this request will be greatly appreciated.

Sincerely yours,

HENRY E. POGUE, *Chairman.*

NATIONAL ASSOCIATION OF HOME BUILDERS,
Washington, D.C., August 16, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices of the Senate Committee on Appropriations, Washington, D.C.

DEAR SENATOR MAGNUSON: In a separate letter I have expressed the homebuilding industry's concern about Federal Housing Administration operations.

My purpose in writing this letter is to discuss separately other and related programs included in your consideration of H.R. 12711.

In your review of the Housing and Home Finance Agency's appropriation requests for urban studies and research we urge you to weigh the merits of those programs which would develop basic economic intelligence oriented toward private industry. Specifically, we refer to—

1. *Sales volume and price study.*—This program is probably the most important single Government contribution to understanding the housing markets since World War II.

2. *Housing market transactions.*—The answers to this study would fill a vacuum on dynamic aspects of housing markets about which we are now totally ignorant.

3. *Land prices and urban construction.*—This study is of the utmost urgency. Land prices and fluctuations are the key to the success or failure of the homebuilding industry.

4. *Development of satellite towns.*—Inadequate attention by communities to planning for future needs despite continually rising populations has led to inefficient allocation of community resources. This study will promote a realization that sound planning must occur if housing costs are to be kept within the reach of the moderate income purchasing power.

Lastly, within the jurisdiction of the Federal Savings and Loan Insurance Corporation is a new mortgage interest rate survey initiated last year. The lack of a comprehensive time series of conventional mortgage interest rates has been one of the most significant shortcomings of our national economic statistics. Such data are important not only to the housing industry and financial interests but to the general economic situation.

All of the aforementioned projects appear to be well conceived and have useful potential. Their costs are moderate. We commend them to you and hope your committee will restore the budget appropriations initially requested but subsequently curtailed in the House.

Sincerely yours,

LEONARD L. FRANK, *President.*

NATIONAL SCIENCE FOUNDATION

UNIVERSITY OF PENNSYLVANIA,
Philadelphia, Pa., June 22, 1962.

Hon. JOSEPH F. CLARK,
U.S. Senate, Washington, D.C.

DEAR SENATOR CLARK: This letter is in regard to the National Science Foundation and its funding. Last year I received a note from you on the occasion of my receiving National Science Foundation funds for support of my research. I am sorry I did not acknowledge your note at that time as I was already aware of some of the problems facing the National Science Foundation and the Foundation's efforts to support biological and medical science in this country. Now I am acutely aware of these problems.

The Biological and Medical Sciences Division of the National Science Foundation has had the opportunity of supporting very distinguished science in this country for some years now. The National Science Foundation has always had a policy, unique in Government granting agencies, of allowing grantees complete freedom over any funds that are allocated to them for support of their research. The only accounting of the funds is the final distinctiveness and originality of the research performed and published. Grantees who have not used their funds wisely as indicated by the production of only pedestrian research, are dropped from National Science Foundation support.

During the past 2 years I have had the opportunity of serving on the Molecular Biology Panel within the Biological and Medical Sciences Division. This panel consists of the National Science Foundation personnel and 10 scientists from different universities. The panel meets three times a year to consider proposals

submitted by U.S. scientists for support of their research. The Molecular Biology Panel has always supported very distinguished research as well as highly meritorious proposals from young people just starting their academic careers in their first university position. The record of research produced through support by the Molecular Biology Panel speaks eloquently for itself. A byproduct of this research support has been the training of bright young people so that now we find that the community of high caliber biological scientists in this country is slowly but steadily increasing.

The Molecular Biology Panel met recently in Washington and considered 72 research proposals. The funds requested in the 72 proposals amounted to approximately $7 million; the panel had available $2 million for support of research at this time. The National Science Foundation research support has never been lavish, as compared to the National Institutes of Health, but this has not been a drawback in the past, as it has always been easy to draw the line between proposals which should and should not be funded. At this last meeting, however, the situation was different. For various reasons, including the increase in the biological community in this country, a very high proportion of the proposals considered were excellent proposals from highly competent investigators. Because of the limitation of funds we had to draw some very arbitrary lines and as a result, some very meritorious research cannot be supported at this time.

The National Science Foundation has submitted a budget for the coming fiscal year to Congress. The budget has gone through the House committee, I gather, and has been drastically cut. I gather that the budget proposed for the coming fiscal year was an extraordinarily conservative budget and it would be disastrous for fundamental science in this country if that budget were seriously cut.

I write this letter to you in the hope that I can make you aware of the seriousness of the situation as regards the financing of the National Science Foundation and the jeopardy that lies in wait for support of fundamental American science which at the present time is of an extraordinarily high caliber. This high caliber was demonstrated more than eloquently at the International Biochemical Congress held last August in Moscow. I feel that it is to the Nation's interest to keep our basic science well supported and healthy. I hope that this letter will prove to be of some interest to you. With all the best wishes for the coming campaign, I am,

Very sincerely yours,

WALTER D. BONNER,
Professor of Physical Biochemistry and Plant Physiology.

VETERANS' ADMINISTRATION

STATEMENT OF FRANCIS W. STOVER, DIRECTOR, NATIONAL LEGISLATIVE SERVICE VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the subcommittee, thank you for this opportunity to present the views of the Veterans of Foreign Wars of the United States, respecting the independent offices appropriation bill, H.R. 12711, which includes $5,248,833,000 for the operation of the Veterans' Administration for fiscal year 1963.

The Veterans of Foreign Wars has a membership of overseas and combat wartime veterans of approximately 1,300,000. The most important piece of legislation enacted by each session of Congress is the appropriation of the necessary moneys for the continuance of the operation of the Veterans' Administration which provides the much cherished and deeply appreciated care, services, and benefits for veterans and their families. It should surprise no one, but the record should show that the veterans of this Nation and their families, including their surviving widows, children, and dependent parents, enjoy the largest and most comprehensive and generous program of veterans benefits and rights of any nation in the world. This appropriation bill will continue these programs which are in grateful recognition for the extraordinary services rendered by those citizens who served in our armed services during wartime.

Of special interest to the Veterans of Foreign Wars in the appropriation for the Veterans' Administration is the approximately $1 billion for medical treatment and hospital care. This amount includes $28 million for medical research. The Veterans' Administration hospital system has been singled out for special praise especially in the field of psychiatry and prosthetics for the great improvements that have been made in these fields and the contribution and success of the Veterans' Administration with respect to these programs.

The success of the Veterans' Administration in its research programs—which are helpful not only to veterans, but all humanity—is directly traceable to the support and assistance rendered by this subcommittee in providing ample funds for the medical research program.

It is especially encouraging to also note that the appropriation item for the construction of hospital and domiliciary facilities has been approved as recommended in the amount of $75,500,000. The Veterans of Foreign Wars conducted its own study back in 1957 and 1958 to help demonstrate that the renovation and replacement program of our 173 Veterans' Administration hospitals was very much needed. In 1959 a 12-year renovation and replacement program was approved by the administration calling for expenditures of not less than $900 million at the rate of at least $75 million a year for a period of 12 years. The Veterans' Administration operates the largest hospital system in the world and has an average patient load of about 111,000 daily. The 12-year replacement and modernization program will continue to make this hospital system the finest anywhere.

In conclusion, Mr. Chairman, the Veterans of Foreign Wars approves the appropriation as recommended by the administration and approved by the House. The Senate, and this subcommittee in particular, has always been very sympathetic to the views and desires of the Veterans of Foreign Wars and we, therefore, are hopeful that this subcommittee and the Senate will approve this appropriation bill without delay.

Before closing, Mr. Chairman, I would like to mention the important work being done by the veterans' service staff in the Civil Service Commission. The Veterans of Foreign Wars has always supported, in the appropriation for the Civil Service Commission, an adequate budget and staff with sufficient personnel necessary to enforce the Veterans' Preference Act of 1944, as amended. Recently the President, by Executive order, accorded all classified civil service employees the same rights and privileges of veterans' preference employees by granting them the same rights of appeal as veterans. This is to request, therefore, that adequate funds be made available to the Civil Service Commission to take care of the cost of nonveterans' appeals which are anticipated by the Civil Service Commission for this fiscal year so that veteran appeals will not be adversely affected by the increased appeals.

Thank you very much for the opportunity to present the views of the Veterans of Foreign Wars respecting this appropriation as it relates to veterans' programs.

General Provisions

CLEVELAND, OHIO, *August 15, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Building, Washington, D.C.:

In regard to the forthcoming Senate consideration of H.R. 12711 independent offices appropriation bill, Case Institute of Technology requests your support of the language now in section 304 which increases the allowance for indirect cost payments to 25 percent.

H. T. KEITH GLENNAN,
President, Case Institute of Technology.

NEW YORK, N.Y., *August 16, 1962.*

Senator WARREN G. MAGNUSON,
Senate Office Buillding, Washington, D.C.:

I believe you are aware of the difficulties to colleges and universities arising from an arbitrary limitation on indirect cost allowances on research grants which limitation results in the institution not receiving reimbursement for its audited costs. If payments are to be limited to some uniform figure regardless of actual costs, I urge that approval be given to a 25-percent limitation as proposed in section 304, H.R. 12711, relating to the independent offices appropriations.

GRAYSON KIRK,
President, Columbia University.

NEW YORK, N.Y., *August 16, 1962.*

Senator CARL HAYDEN,
Senate Office Building, Washington, D.C.:

I have previously written you concerning the difficulties to Columbia University arising from an arbitrary limitation on indirect cost allowances on research grants which limitation results in the university not receiving reimbursement for its audited costs. If payments are to be limited to some uniform figure regardless of actual costs, I urge that approval be given to a 25-percent limitation as proposed in section 304, H.R. 12711, relating to the independent offices appropriations.

GRAYSON KIRK,
President, Columbia University.

CLEVELAND, OHIO, *August 15, 1962.*

Senator CARL HAYDEN,
Chairman, Senate Appropriation Committee,
Senate Office Building, Washington, D.C.:

My convictions on reimbursement for costs of research were outlined in my letter to you, of May 11, in connection with the Department of Defense appropriation bill. We are fully in accord with the position stated by Dr. Logan Wilson in his letter of August 10 to Senator Magnuson. It is our understanding that his letter is or will be entered into the printed record of hearings on H.R. 12711. We join in the belief that the 25-percent limitation proposed in section 304 of H.R. 12711 now being considered by your committee will work a less serious hardship than previous limitations considered. We request your support of the language now in section 304.

T. KEITH GLENNAN,
President, Case Institute of Technology.

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
August 13, 1962.

Hon. CARL HAYDEN,
Chairman, Senate Appropriations Committee, U.S. Senate.

DEAR SENATOR HAYDEN: I have received a most interesting letter from President Keeney of Brown University, proposing an amendment to the House independent offices appropriation bill.

For your information, I enclose a copy of President Keeney's letter. I very much hope that it will be useful to you in your consideration of the bill.

Warm regards.

Sincerely,

CLAIBORNE PELL.

BROWN UNIVERSITY,
Providence, R.I., August 2, 1962.

Hon. CLAIBORNE PELL,
U.S. Senate, Washington, D.C.

DEAR SENATOR PELL: We have made a study of the effect that a 20-percent limitation on indirect costs of research grants would have on Brown, and I thought you would be interested in the findings.

Based on our research activity during the fiscal year 1961–62, a 20-percent limitation on NIH-Public Health Service grants would increase the amount we would receive as overhead from $159,084 to $207,254, a net increase of $48,170. With respect to defense agency grants, there would be a decrease from $50,795 to $22,981, or a net decrease of $27,814. Since we have a good many Public Health Service grants and only a few defense agency grants, there would be a net increase on grants from these two sources of $20,356.

If, following the imposition of a 20-percent limitation, all Government agencies should abandon contracts in favor of grants, our overhead on work being done under contracts would decrease from $564,793 to $314,963, a drop of $249,830.

I understand that the House independent offices appropriation bill, which includes funds for the National Aeronautics and Space Administration, has been reported with a 20-percent limitation. Since the NASA research program is a new venture in which indirect costs will be difficult to determine until institu-

tions have had some experience with the program, it seems to me unfortunate to place a limitation so soon. I hope that a clause such as the following, which has the approval of the American Council on Education and others, will be substituted:

"None of the funds provided herein shall be used to pay any recipient of a grant for the conduct of a research project any amount in excess of the applicable cost, direct and indirect, of the work performed under such grant: *Provided*, That such cost shall be allowed only under regulations approved by the Administrator of the agencies included in this Act in conformity with procedures authorized by the Bureau of the Budget. Such regulations shall provide that indirect costs shall be determined in accordance with generally accepted cost accounting procedures, and shall further provide that indirect costs shall not include any fee or profit to the recipient institution and shall not reflect any anticipated increase in rates of salaries, wages, or other emoluments."

I have been advised that Representatives George P. Miller, Olin E. Teague, and George Meader are particularly interested in this problem with respect to its effect on space research. I hope that you will do whatever you can to support their efforts to amend the appropriation bill.

Sincerely yours,

BARNABY C. KEENEY.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., August 10, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices, Senate Committee on Appropriations, Washington, D.C.

DEAR SENATOR MAGNUSON: I write with reference to H.R. 12711, the independent offices appropriation bill for 1963, now pending before your subcommittee. The American Council on Education is especially concerned with section 304 which limits payment of indirect costs of research grants to 25 percent of direct costs.

The council has brought to the attention of Congress the inequitable situation in which colleges and universities are placed by statutory limitations on the payment of indirect costs of federally sponsored research grants. For several years, a statutory limitation of 15 percent has been imposed on the payment of indirect costs of research grants from the Department of Health, Education, and Welfare. This year, a similar limitation was proposed for the Department of Defense. The Senate removed both limitations from appropriation bills, but in conference the limitations were restored with the percentage raised from 15 to 20 percent.

As originally reported to the House, section 304 of H.R. 12711 required a 20-percent limitation on the payment of indirect costs. As you know, this limitation was raised from 20 to 25 percent through an amendment offered by Representative George P. Miller, chairman of the House Committee on Science and Astronautics. In the debate on this amendment Representative Miller and Representative Albert Thomas, chairman of the House Appropriations Subcommittee for Independent Offices, gave assurances that the whole question of payment of indirect costs would be studied thoroughly by committees of the House and that every effort would be made to work out a solution to the problem that would protect the interest of the Government and of the institutions.

The National Science Foundation has published data indicating that the average indirect cost rate on Federal research and development contracts and grants is 28 percent of direct costs for large colleges and universities and 32 percent of direct costs for small colleges and universities. In the Senate hearings on the 1963 appropriation for the Department of Defense, President Herbert E. Longenecker of Tulane University, representing the American Council on Education, presented in detail our case against percentage limitations on indirect costs and urged adoption of a policy of full reimbursement of indirect costs according to the principles of Bureau of the Budget Circular A–21. I respectfully refer you and other members of your subcommittee to this testimony which appears on pages 1693–1702 of the Senate hearings on the Department of Defense appropriation bill for 1963.

A limitation of 25 percent on indirect costs payment comes closer to the average rate determined by the NSF study than the rate of 20 percent included as a limitation in the Labor-HEW and the defense appropriation bills. We believe that the 25-percent limitation proposed in section 304 of H.R. 12711 will

work a less serious hardship than a 20 percent indirect cost limitation on colleges and universities accepting research grants during fiscal 1963 from the National Aeronautics and Space Administration and from the National Science Foundation.

We respectfully request, therefore, that your subcommittee leave the language of section 304 unchanged when H.R. 12711 is reported to the Senate. At the same time, we reserve the right to press for complete elimination of arbitrary ceilings on payment of indirect costs in appropriation bills coming before the 88th Congress.

I should appreciate it if this letter could be included in the printed record of hearings on H.R. 12711. For the record, the American Council on Education is an organization of 145 national and regional educational associations and nearly 1,000 institutions of higher education.

LOGAN WILSON.

HOME LOAN BANK BOARD

NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS,
New York, N.Y., August 15, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Independent Offices Subcommittee, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the National Association of Mutual Savings Banks, it is hoped that your subcommittee will authorize the Federal Savings and Loan Insurance Corporation to spend the amount of $1,200,000 for administrative expenses as recommended by the Bureau of the Budget for inclusion in H.R. 12711, the Independent Offices Appropriation Act.

The particular interest of the national association in this item stems from its support of the study of interest rates on mortgages secured by real property now in process under the cognizance of FSLIC. While a Federay agency can engage in such a study without fear of violating the antitrust laws, a private organization cannot undertake to do so with the same sense of immunity. The statistics being developed from the FSLIC study should prove beneficial to the public interest and useful to those interested in the field of residential finance.

It is respectfully requested that, if practicable, this letter be printed in the record of hearings on H.R. 12711. Thank you for whatever consideration you find it possible to give this request.

Sincerely,

WILLIAM F. MCKENNA, *Director-Counsel.*

COMMITTEE RECESS

Senator ALLOTT. We are adjourned.

Thank you, gentlemen.

(Whereupon, at 6:10 p.m., Tuesday, August 14, 1962, the committee was in recess, to reconvene at 10 a.m., Wednesday, August 15, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

WEDNESDAY, AUGUST 15, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., pursuant to recess, in room F-37, the Capitol, Hon. Gordon Allott temporarily presiding.

Present: Senators Magnuson, Ellender, Allott, and Young.

FEDERAL COMMUNICATIONS COMMISSION

STATEMENTS OF ROBERT E. LEE, COMMISSIONER, AND FREDERICK W. FORD, COMMISSIONER; ACCOMPANIED BY RALPH J. RENTON, ASSOCIATE CHIEF ENGINEER; HILBURT SLOSBERG, ASSISTANT TO GENERAL COUNSEL; JAMES E. BARR, ASSISTANT CHIEF, BROADCAST BUREAU; IRVING BROWNSTEIN, ASSISTANT CHIEF, SAFETY AND SPECIAL RADIO SERVICES BUREAU; JOHN J. NORDBERG, CHIEF, COMMON CARRIER BUREAU; BERNARD STRASSBURG, ASSISTANT CHIEF, COMMON CARRIER BUREAU; FRANK M. KRATOKVIL, ASSISTANT CHIEF, FIELD ENGINEERING AND MONITORING BUREAU; ROBERT W. COX, EXECUTIVE OFFICER; RICHARD F. SOLAN, ASSISTANT EXECUTIVE OFFICER; J. N. HAND, CHIEF, DATA PROCESSING DIVISION; HERBERT SHARFMAN, HEARING EXAMINER; AND DEE W. PINCOCK, REVIEW BOARD MEMBER

LETTER FROM THE CHAIRMAN

Senator ALLOTT. The committee will come to order. We have this morning the Federal Communications Commission.

We have two letters, a requested amendment, and summary justifications from the Chairman of the Commission which will be inserted in the record. We will also insert in the record a portion of the letter to the President dated May 7, 1962, from the Budget Director, Mr. Bell, contained in House Document 401, requesting an increase of $1,517,000 and the 1963 budget for the FCC, and a letter from the FCC to the House Appropriations Committee dated May 10, 1962, on this subject.

(The items referred to follow:)

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C., July 30, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: I have your letter of July 27, 1962, concerning the independent offices appropriation bill for 1963.

As you know, the bill was just reported out by the House Appropriations Committee on Friday and we have not yet completed our analysis of the effiects of the committee action. Our staff is devoting immediate attention to this problem and we will have a detailed report in your hands not later than Friday, August 3.

Although I cannot today describe in detail the effects of the House committee action, I am sure that we will feel compelled to request the Senate to restore the amount cut by the House. Believe me, our budget was a tight one and a reduction of more than a quarter of a million dollars in this very small agency's funds is a serious matter. We are trying, and we think we are making progress in improving the functioning of this vital agency. To do the job right requires adequate administrative resources. We are sure that the Senate will weigh our small financial needs against our heavy responsibilities and agree that a few additional dollars for the Federal Communications Commission is a good investment "in the public interest."

In your letter you indicate that our appearance at your hearing will be some time between August 6 and August 14. I regret that I will be out of the city during that period but Commissioner Ford and Commissioner Lee will be available.

With best wishes,

NEWTON N. MINOW, *Chairman.*

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C., August 3, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: Attached is a statement indicating the specific revisions requested by this Commission in the independent offices appropriation bill for 1963 and a justification for the proposed changes. We will be pleased to supply any additional information which you may desire when we appear before your committee on August 8.

Sincerely yours,

NEWTON N. MINOW, *Chairman.*

FEDERAL COMMUNICATIONS COMMISSION

SALARIES AND EXPENSES

(1) Page 14, line 21, strike "$14,355,000" and insert in lieu thereof "$14,617,000".

(2) Page 14, line 22, insert "not to exceed $500 for official reception and representation expenses".

HOUSE REPORT

"The committee considered estimates totaling $14,617,000 for salaries and expenses of the Commission, including $1,517,000 contained in House Document No. 401, and has approved $14,355,000. This is an increase of $1,830,000 over the 1962 appropriation and $262,000 less than the estimates.

"The committee has allocated 12 of the additional positions to safety and special radio services and 19 to the new satellite communications group. It has also provided funds for the purchase of more advanced monitoring equipment at five locations and a computer that is expected to produce operating efficiencies and result in a savings of approximately $200,000 a year over a 10-year period."

JUSTIFICATION

The report of the Appropriations Committee of the House of Representatives proposes a reduction of $262,000 in the budget estimates of this Commission for fiscal year 1962. In light of the numerous problems and workloads confronting this agency, the Commission feels that a most urgent appeal must be made for restoration of these funds.

Our problem with this reduction is further complicated by the fact that since our budget estimates were submitted, we have taken action to implement an amendment to the Communications Act by the establishment of a review board. To carry out this program will require an additional cost of $124,000. This amount, together with the $262,000 cut by the House, has the effect of cutting our budget request by $386,000.

To many agencies a reduction of this size is not a serious matter. However, in an agency as small as the Federal Communications Commission it has a significant impact. The budget request for the Commission was an extremely conservative one. All estimates were held to absolute minimums. Far greater amounts could have been used very effectively in every area of Commission work. However, in keeping with the budget policy, the barest minimums were requested. To be cut below this level by $386,000 will have an effect on practically every bureau and office of the Commission.

In our field operations we will have to curtail drastically our equipment modernization program. A great deal of our present technical equipment is obsolete. In more than half of our stations the VHF receivers were purchased in 1940. This need for modernization was supported by the report of the management firm, Booz, Allen & Hamilton, that was engaged by the Bureau of the Budget to study Commission operations. Their report makes the following observations with respect to equipment used by our engineers in the field, "much of the technical instrumentation and equipment presently in use at monitoring stations is either obsolescent or obsolete. In short, the program for equipping such stations has not kept pace with the state of the communications art."

The Commission's investigative and enforcement activities in the field will also suffer. The House allowance will not permit the addition of staff necessary to carry out adequate programs in the detection of sources of interference to air navigation or the checking of antenna hazards in vicinity of airfields.

While funds were allowed for space satellite work, little, if any, additional funds will be available for regulation of the other common carrier services. If we were preparing 1963's budget today, we would be asking the Bureau of the Budget and the President for substantial staff increases to enable us to handle some of the problems confronting us in this area.

In reprograming our activities for fiscal 1963 to remain within this allowance we will almost certainly have to reduce the level of activity in the broadcast area. We are already starting to prepare our budget estimates for 1964 and propose to request significant increases to permit us to do the job that should be done in this field.

The House allowance provided a few more jobs for the Safety and Special Radio Services Bureau than we requested. Obviously they felt we should not permit backlogs to remain at the level that would have been necessary under our very conservative budget.

The committee also allowed funds for our computer program; this will be helpful in coming years but will have no effect on workloads in 1963 since delivery is not scheduled until the very end of the fiscal year. At that time there will be a gradual phasing in of programs; this will extend through the entire fiscal year 1964. The computer system will be most helpful but there are many areas of Commission work and responsibility that the computer, when it does arrive, will not be able to touch and increases will continue to be necessary.

The House allowance provides no increase for the General Counsel, chief engineer, Office of Hearing Examiners, the Secretary's Office, or the Office of Administration other than the Data Processing Division.

In recognition of the extremely heavy workloads that exist throughout the Commission the report of the management firm, Booz, Allen & Hamilton, recommends that staff increases be made in a number of areas. The total number of additional positions suggested exceeds 125. We proposed to request this additional staff in 1964.

In summary, we feel it extremely important that the $262,000 cut by the House be restored by the Senate to enable us to meet the increasing workloads and responsibilities by which we are confronted throughout the Commission.

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One other change in the language of our appropriation is requested. We need a provision to permit members of this Commission to spend limited funds from our appropriation for the entertainment of representatives of foreign governments. As it is now, if a group of officials from a foreign country visits the United States for a conference, a Commissioner cannot even buy their lunch or coffee out of Commission funds. We feel we should be permitted to extend the same courtesies to these officials as are afforded representatives of the U.S. Government when visiting other countries.

SUMMARY OF JUSTIFICATIONS FOR 1963 BUDGET ESTIMATE

The Commission's budget estimate for fiscal year 1963 amounts to $13,100,000. The following table provides a breakdown of the staff and dollar amounts requested for 1963 as compared with 1962:

	1962 estimate	1963 estimate	Increase
Average employment	1,349.1	1,385.9	36.8
Personnel compensation	$10,432,750	$10,754,675	$321,925
Personnel benefits	769,950	795,325	25,375
Other obligations	1,322,300	1,550,000	227,700
Total	[1] 12,525,000	[1] 13,100,000	575,000

[1] The above table does not include any of the $2,000,000 appropriated in 1961 for a special UHF–TV study.

The estimates contained herein provide only for those activities which are required by law and which we believe are essential to the public interest. They vitally affect industry, general business, and the protection of life and property.

The Commission has received some increases in its appropriations in the past few years. However, these appropriation increases have not kept up with the increased workloads which have resulted from the growth of the industry nor have they been sufficient to provide the staff necessary to handle the new and more complex problems now facing the Commission.

It is imperative, therefore, that this Commission submit a budget calling for further increases in 1963.

The Commission is currently considering the installation of an electronic computer. Computer manufacturers have been invited to submit equipment proposals to meet our needs. The Commission's staff is now making a detailed comparative study of the present cost and computer cost of the functions to be performed.

If, upon consideration of the final report of our computer study, the Commission decides to proceed with a computer program, an amended or supplemental budget request of approximately $525,000 will be submitted. If it would be more advantageous for the Commission to purchase a computer the supplemental request would be for approximately $1,525,000.

The following table shows the increases requested for personnel compensation and personnel benefits for the various organization units of the Commission and for other objects. (Excluding UHF–TV study which is shown separately.)

	1962 estimate		1963 estimate		Increase	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
Offices of Commissioners	49.2	$538,400	49.2	$536,770	.....	(−$1,630)
Office of Opinions and Review	36.8	339,000	36.8	350,850	.....	11,850
Office of Hearing Examiners	32.7	330,400	32.7	332,100	.....	1,610
Office of Reports and Information	5.0	39,000	5.0	39,530	.....	530
Office of Administration	103.4	677,900	104.0	700,100	0.6	22,200
Office of Secretary	63.9	342,000	64.3	344,650	.4	2,650
Office of Chief Engineer	79.0	683,900	80.0	700,340	1.0	16,440
Office of General Counsel	41.2	364,200	42.0	375,215	.8	11,015
Field Engineering and Monitoring	378.8	2,765,450	400.0	2,908,365	21.2	142,915
Common Carrier Bureau	138.1	1,210,200	150.0	1,306,405	11.9	96,205
Safety and Special Radio Services Bureau	168.0	1,186,200	171.9	1,218,625	3.9	32,425
Broadcast Bureau	253.0	1,956,100	250.0	1,941,815	(−3.0)	(−14,285)
Total, personnel services	1,349.1	10,432,750	1,385.9	10,754,675	36.8	321,925
Total personnel benefits	.....	769,950	.....	795,325	.....	25,375
Other objects:						
Travel and transportation of persons:						
Travel (subject to limitation)	.....	193,500	.....	226,000	.....	32,500
Other transportation costs	.....	49,000	.....	49,000	.....	.....
Transportation of things	.....	47,000	.....	40,000	.....	−7,000
Rent, communications, and utilities	.....	352,000	.....	415,000	.....	63,000
Printing and reproduction	.....	96,000	.....	100,000	.....	4,000
Other services	.....	138,800	.....	150,000	.....	11,200
Supplies and materials	.....	160,900	.....	175,000	.....	14,100
Equipment	.....	237,100	.....	370,000	.....	132,900
Land and structures	.....	48,000	.....	25,000	.....	−23,000
Total, other objects	.....	1,322,300	.....	1,550,000	.....	227,700
Grand total	.....	12,525,000	.....	13,100,000	.....	575,000

The following table shows estimated amounts to be obligated for the special UHF–TV study. No new funds are requested in this budget for 1963. Funds presently available were appropriated in 1961.

	1962 estimate	1963 estimate
Average employment	4.9	2.5
Personnel services	$55,443	$22,799
Personnel benefits	4,130	2,108
Other objects	1,080,767	377,160
Total, UHF–TV project	1,140,338	408,067

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 7, 1962.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration proposed amendments to the budget for the fiscal year 1963 involving increases in the amounts of $1,517,000 for the Federal Communications Commission and $2,899,100 for the District of Columbia as follows:

FEDERAL COMMUNICATIONS COMMISSION

Budget appendix page	Heading	Original estimate	Revised estimate	Increase
801	Salaries and expenses	$13,100,000	$14,617,000	+$1,517,000

This amendment to the budget is to provide for (*a*) installation of a computer $1,198,000; (*b*) establishment of a Space Communications Working Group, $184,000; and (*c*) procurement of radio monitoring equipment, $135,000.

The funds for the computer will cover the purchase of a machine that will produce operating efficiencies and a net financial saving of approximately $200,000 a year over a 10-year period. Funds were not included in the 1963 budget for this item pending conclusion of a feasibility study.

Funds for the Space Communications Working Group will help the Commission to meet increasing regulatory, legal, and technical problems that have arisen in connection with establishment of a space communications satellite system.

The request for funds for purchase of radio monitoring equipment reflects a decision to procure and install equipment for five radio monitoring facilities at U.S. Navy installations in 1962 rather than to extend procurement over several years at greater cost. The funds will be used to reimburse the Navy which is purchasing the equipment. The installations will be used jointly by the Navy and the Federal Communications Commission. This program will replace and upgrade facilities currently operated by the Federal Communications Commission.

* * * * * * *

DAVID E. BELL,
Director of the Bureau of the Budget.

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C., May 10, 1962.

INDEPENDENT OFFICES SUBCOMMITTEE, APPROPRIATIONS COMMITTEE,
House of Representatives,
Washington, D.C.

GENTLEMEN: We are submitting herewith a request for an amendment to our 1963 budget estimates. The additional $1,517,000 is for items that could not be estimated at the time our annual budget was prepared.

When we submitted our original budget request for 1963 we pointed out that an amendment would be submitted if the results of our automatic data processing study were favorable. The Commission has now reached the conclusion that installation of a computer will not only improve the efficiency of its operations but will, when the program is in full operation, result in a net saving of approximately $200,000 annually over a 10-year period. If this matter were to be deferred for consideration in our 1964 budget at least 1 full year would be lost. In view of the benefits that will accrue to the Government and the public through this program it is of utmost importance that this delay be avoided.

Funds are also requested in this amendment to increase the Commission's effort in the area of satellite communications. The Commission has been devoting some staff to this program but the increased emphasis that has been put on this program by the President and the Congress make it imperative that this Commission be adequately staffed to carry out its obligations in advancing the

development of this new medium of communications. In this area, as in other space programs, the United States must take the leadership not only for our own good but also for the benefit of the rest of the free world. The Commission has critical responsibilities in this program and we believe that a delay for another year in adding this staff would gravely impair our ability to meet those responsibilities.

Since our 1963 estimates were prepared a program has been worked out with another Government agency for the joint use of monitoring facilities at four locations. This program will call for the initial outlay of $135,000 by this Commission with a resulting saving of $1,092,060 to the Government over a 3-year period. The use of this modern installation will offer considerable technical advantage to the Commission. In order that our needs can be included in the construction planning it is necessary that we submit our request for these funds now, since fiscal 1964 will be too late.

Your favorable consideration of the total amount requested is recommended.

Sincerely yours,

NEWTON N. MINOW, *Chairman.*

JUSTIFICATION FOR AMENDMENT TO 1963 BUDGET ESTIMATE

I. ELECTRONIC COMPUTER PROGRAM, $1,198,000

The Commission's budget estimate for fiscal year 1963 stated that we would submit an amended budget request if it was decided to proceed with an electronic computer program. On February 28, 1962, after a thorough study the Commission concluded that a computer system would be more economical and efficient than its present manual system and unanimously approved, subject to the appropriation of funds, the purchase of a Univac III electronic computer and associated XY-plotter and the installation of the system in its Washington offices in May 1963. Hence, this request for $1,980,000 covers the purchase and maintenance of the above equipment and other items of expense associated with the installation and operation of the system. The additional amount requested herein does not reduce the Commission's overall staff requirements called for in our previous budget request for 1963 since installation of the system will not be completed until 1964.

The financial advantages of purchasing and installing the computer system for the Commission have been calculated over a 10-year period.[1] The gross cost of the computer system over that period averages $490,000 per year; the cost of the present manual system for the operations to be performed by the computer is $707,000 per year, resulting in a net annual savings of approximately $200,000 when the program is in full operation. The cost of the computer system includes the purchasing of the equipment and the costs to program, operate, and maintain the system. Savings include the direct personnel displacements in the bureaus and offices, the absorption of certain personnel increases which would be required to process the increase in application receipts anticipated over the next 10-year period, and the reduction of EAM equipment rentals in the present tabulating-machine operations.

In addition to the direct dollar savings that will be possible, the backlogs of pending applications in most areas of the Commission will be eliminated or substantially reduced. The computer selected will not only process the present volume of applications on a current basis and provide an accurate up-to-date record of all licensees, but it will have the necessary reserve capabilities to absorb a 25- to 30-percent growth.

The decision to install a computer system is the result of a 2-year detailed study of all areas of FCC's operations. Systems specifications were developed to insure full and free competition among qualified equipment manufacturers. These specifications were sent to 18 companies with invitations to submit equipment proposals. In addition, a public notice was issued inviting other companies to contact the Commission if they were interested in recommending an electronic data processing system based on our specifications. Proposals were received from seven computer manufacturers.

The proposals were evaluated in minute detail, using criteria prescribed by the Bureau of the Budget in Circular No. A–54, which deals with policies on selec-

[1] The life expectancy of the new transistorized computers is estimated to be up to 15 shift-years.

tion and method of acquisition of automatic data processing equipment. The conclusion was that the Univac III computer would best fulfill the data-processing requirements of the FCC and purchase (as opposed to lease, or lease with option to purchase) offered the greatest cost advantage to the Government.

The organization and management survey report by Booz, Allen & Hamilton, the management firm engaged by the Bureau of the Budget to study FCC's operations, referred to the program for the installation of a computer system in the Commission as one that offers a great potential for better services at less cost and should be pressed forward. Also, in January of this year, the Bureau of the Budget was requested to have its data-processing staff review FCC's plans for the use of a computer and render an evaluation report. Their report indicated complete accord with the approach taken by this Commission in its study and development of a computer system. It was their view that the contemplated system would solve many of the application processing problems that have plagued the Commission for many years and that it offers tremendous potential for further improving the Commission's effectiveness in regulating the communications industry.

The system will be implemented in two phases. During phase I, which will become operational in May 1963, the computer system will perform AM, FM, and TV engineering computational work, provide accurate up-to-date information on ownership of broadcast stations, and facilitate application status reporting in all areas of the Commission. Phase I will also include computational work in connection with the checking of antenna data to insure air navigation safety, and the analyses of telephone plant mortality data to establish depreciation rate values for the Common Carrier Bureau; also frequency reports and licensee data printouts for the Office of Chief Engineer and Field Engineering and Monitoring Bureau for improved control and management of the radio spectrum.

Phase II, which will become operational during the period October 1963–June 1964, will encompass the processing of applications for safety and special uses of radio, which include the marine, aviation, amateur, citizen, and similar radio services. The computer system will provide for automatic printing of licenses, renewal notices, license modification forms, and will make available a complete, easily accessible record of all outstanding licenses and pending applications.

Looking to the future, this mechanized system will make possible investigations in connection with antenna stability studies, geographical allocation plans, frequency coordination and assignments, and more refined channel-splitting engineering standards. Other potential uses of the computer are in the areas of rate studies and the administrative functions of the Commission, i.e., budgeting, personnel, and payroll and finance.

To prepare for the phase I operations in advance of the delivery of equipment in April 1963, the following steps are necessary:

1. Purchase of computer [1]	$898,500
2. Contract for maintenance of computer for May and June 1963	5,200
3. Purchase XY-plotter	46,300
4. Contract for maintenance of XY-plotter for May and June 1963	800
5. Contract with GSA for preparation of computer site in new post office building	75,000
6. Convert Broadcast Bureau licensee data [2] to punched cards and magnetic tape	25,000
7. Convert data on M–3 contour map to punched cards and magnetic tape	10,000
8. Purchase magnetic tape and other miscellaneous supplies	10,000
9. Personnel compensation, 18 positions, programers, computer operators, clerical control personnel	112,584
10. Personnel benefits	8,444
11. Furniture, fixtures, and office supplies	6,172
Total	1,198,000

[1] The computer configuration will be completed in fiscal year 1964 by the purchase of 2 additional magnetic tape drives. The total purchase cost and maintenance cost for 9 months to be budgeted in fiscal year 1964 will be $50,000.

[2] The conversion of the largest volume of licensee records for the Safety and Special Radio Services Bureau (approximately 1 million) will be a fiscal year 1964 expense estimated to be approximately $200,000.

II. SATELLITE COMMUNICATIONS PROGRAM, $184,000

At the time the regular budget request for fiscal 1963 was prepared there were no clear indications as to what course would be followed in this country's program on a commercially operable satellite communications system. Space communications specialists are confident that such a systems is technically feasible. The experimental satellite TELSTAR will be in polar orbit by summer; this will be followed by the RELAY polar satellite which is an experimentation of NASA. This in turn will be followed by the ADVENT satellite which will be in equatorial orbit synchronous with the earth's movement.

These sensational developments open up new vistas in communication. Within 2 or 3 years after these experimental steps the FCC must be prepared to meet the problems posed by commercial operation of the resultant communication system. The problems which must be anticipated and solved are and will be novel, complex, and of great consequence. Their solution will require our best efforts. This means concentrated attention by a highly skilled specialized staff.

Under the general guidance of a Commissioner, an ad hoc group borrowed from the regular staffs of the Common Carrier Bureau, Office of Chief Engineer, and Office of General Counsel has been actively engaged in formulating plans for the Commission's role in future space communications. This, unfortunately, has diverted key staff from other very important regulatory functions which will suffer until these people are returned to their regular work or replaced. This arrangement was intended as a temporary measure for initial planning only. Steps must be taken to provide the staff that will be required in coming months and years as this program develops.

Within the past several months Congress has been considering specific legislation to establish a communication satellite corporation which would be subject to regulation by the Commission. It is reasonably certain, therefore, that legislation will be enacted in the near future and that such legislation will thrust upon the Commission a number of new and unique regulatory responsibilities and problems without precedent in the common carrier regulatory field.

The Commission is therefore proposing to establish a separate working group to concentrate on these important tasks. It is anticipated that space communication satellites will serve principally to complement existing transoceanic cables and radio in rendering international communication service. Because of these common carrier implications, the regulation of this new facility falls logically and ultimately within the purview of the Common Carrier Bureau. However, it is necessary in the initial stages to effect Commission-wide coordination. Our proposal is to utilize the funds requested in this budget amendment to establish the following units reporting to an administrator of the Space Communications Working Group:

Technical Standards Unit, staffed by engineers, responsible for public service standards, acceptability of facilities and equipment in the satellite and the ground stations, frequency allocation and assignment, interference problems, and related responsibilities.

Rates and Revenues Requirements Unit, staffed principally by public utilities accountants and rate experts, concerned with the establishing of lawful and reasonable rate levels and structures, the revenue requirements of the satellite consortium, the impact of space satellites on existing rates and services, allowable costs of operation, the relationships of satellite services to existing transoceanic and domestic services, and such other matters as will arise because of this new method of furnishing public communication services.

Legal and Treaty Unit, staffed principally by attorneys, to handle all legal questions stemming from the new consortium, rulemaking, determinations of U.S. position in treaty matters, and the conduct of general policy studies in conjunction with the two other working units.

Accordingly, it is requested that an additional appropriation be approved for this new Space Communications Working Group for fiscal 1963 as follows:

Personnel compensation (21 positions)	$164,800
Personnel benefits	12,360
Furniture and supplies	6,840
Total	184,000

III. JOINT USE BY FCC OF WULLENWEBER DIRECTION FINDERS OWNED BY ANOTHER AGENCY, $135,000

The Commission's long range direction finding network operates 24 hours a day furnishing bearings in connection with the location of illegal and clandestine radio stations and sources of interference to vital communications circuits; also to provide search and rescue aid to distressed ships and planes. In order to fill a geographical gap in our direction finder coverage, funds were requested in our 1963 budget (p. 105) for the reestablishment of the Puerto Rico monitoring station which had been closed some years earlier because of lack of funds. Costs will be kept to a minimum by making joint use with another Federal agency of a Wullenweber long range direction finder being constructed by that agency in Puerto Rico. The same agency is constructing similar Wullenweber direction finders at various other strategic points in the United States.

The wide-aperture Wullenweber is a major advancement in direction finders, having greater inherent accuracy and efficiency than the adcock types currently used by the Commission; therefore, utilization by the Commission of such facilities would substantially improve our long range radio-location capabilities. Of equal importance insofar as benefit to the Government is concerned is the fact that the Commission's participation in a program of joint use of such facilities would result in a major saving in costs. Such a move would be in conformance with the desire of the President of the United States who, in a memorandum to all agencies dated November 10, 1961, called for the optimum joint use of field facilities by the several agencies wherever it is practicable to do so. It should be noted that the simultaneous multiple-use feature of the Wullenweber permits the Commission to fully utilize this advanced direction finder, without interference to the host agency, at a cost that amounts to but a small percentage of the Wullenweber installation.

As a result of conferences with the agency which is constructing the Wullenweber system, it has been determined that it would be to the advantage of the Commission to transfer its long range direction finding and spectrum surveillance operations currently carried on at 4 of our 18 monitoring stations to Wullenweber installations in the same general areas. The identity of each FCC monitoring station involved, and of the Wullenweber installation to which it would transfer its long range direction finding and surveillance operations, is given below:

FCC Monitoring Station:	Wullenweber Station:
Searsport, Me.	Eastern Maine
Waipahu, Hawaii	Island of Oahu, Hawaii
Portland, Oreg.	Northwestern Washington
Santa Ana, Calif.	Southern California

The agency constructing the direction finders will provide space for an operating room together with necessary terminal equipment connecting to the Wullenweber direction finder at each of the four locations for a total reimbursement cost of $200,000 including the $65,000 which has already been requested by the Commission for Puerto Rico on page 194 of the 1963 budget. Therefore, an additional $135,000 will be required in 1963 for such reimbursement for the four installations listed above. There will also be certain other costs to the Commission in implementing the proposed program including obtaining required special clearances for the personnel involved, personnel transfer costs, and other expenditures as itemized in the attachment.

The implementation of the above program will result in a very substantial saving to the Government not only in terms of lowered overhead costs (building and grounds maintenance, janitorial services, plant maintenance, etc.), but especially through making excess to the Commission's requirements certain very valuable land. Two of the monitoring stations—Santa Ana and Portland—are situated on FCC-owned property. Both of these properties are located in areas which have experienced extensive residential and commercial development in recent years. Commercial interests would undoubtedly be interested in acquiring the property at very substantial figures, representing many times the original acquisition cost to the Government. The 110-acre tract of land at Santa Ana, Calif., is estimated to have a fair market value of more than $1,100,000. Likewise, the 109 acres at Portland is certainly worth at least

$400,000 (and probably a great deal more). If the above plan is approved, the Commission will release all of the Portland property and all but approximately 20 acres of the Santa Ana land to GSA for disposal action. The withheld 20 acres together with the monitoring building at Santa Ana will be retained as a special purpose VHF–UHF-microwave monitoring station for the Los Angeles metropolitan area including facilities for space monitoring operations currently being carried on there and which could not be accommodated at the Wullenweber site. A small VHF–UHF-microwave monitoring installation is also proposed for Hawaii to take over the higher frequency monitoring and measurement activities which cannot be transferred to the Hawaii Wullenweber site.

Although participation in the Wullenweber program in Maine, Hawaii, Washington, and California will increase the number of installations from 4 to 6 (4 Wullenweber stations plus the California and Hawaii VHF–UHF-microwave monitoring stations), there will be only a slight increase in personnel costs. This will be accomplished by eliminating custodial and maintenance positions and by consolidation of other nonoperational duties wherever possible. The only increase will be approximately $10,000 per year for a GS–12 engineer-in-charge for the California VHF–UHF-microwave monitoring station. This figure is included in the attached cost comparison table.

Sale of the Santa Ana and Portland property by the Government should bring a return of at least $1,300,000 (90 acres at Santa Ana, $900,000; 109 acres at Portland, $400,000). There would also be a saving in rental costs at the Searsport monitoring station property which is on rented ground, the rental of which is $1,200 a year.

The attached tables and charts show the additional costs for which the Commission must budget in 1963, 1964, and 1965. These costs are offset by far greater savings, resulting in a net saving to the Government of an estimated $1,092,060 over a 3-year period.

Cost increases and decreases resulting from FCC participation in the Maine, Hawaii, Washington, and California Wullenweber operations [1]

	1963, Nonrecurring	1964		1965 and succeeding years	
		Nonrecurring	Continuing	Nonrecurring	Continuing
Reimbursement for terminal equipment (+)	+$135,000	0	0	0	0
Personnel cost increases (+)			+$10,000	0	+$10,000
Other objects:					
Increases (+)	[2]	+$57,640	0	+9,200	0
Savings (−)			−5,200		−8,700
Fair value of property to be released (−)		−400,000	0	−900,000	
Total	+135,000	−342,360	+4,800	−890,800	+1,300
Net saving to Government:					
Over 3-year period	1,092,060				
Over 10-year period	1,082,960				

[1] Plus (+) indicates cost increase; minus (−) indicates cost decrease or saving.
[2] Modest incidental costs in connection with establishing Maine Wullenweber station (transportation of personnel, household goods and equipment, security clearances, etc.) will be absorbed from regular funds.

Fiscal year 1964, other objects, $57,640

21	Transportation of personnel: 9 employees, Portland, Oreg., to northwest Washington	$400
22	Transportation of things	10,600
	Transportation of equipment to new Hawaii Wullenweber and and microwave sites	3,000
	Transportation of equipment from Portland, Oreg., to the Washington Wullenweber site	4,000
	Transportation of household goods, Portland to northwest Washington, 9 employees	3,600
25	Other services	16,640
	Special security clearances required for access to the Wullenweber installations, 24 at $360 (remaining personnel will have been cleared in 1963)	8,640
	Services in connection with erection of antenna for radioteletype communications circuit including site preparation:	
	Hawaii station	4,000
	Washington station	3,000
	Erection of microwave monitoring antennas at Hawaii site	1,000
26	Supplies and materials	3,000
	Technical supplies for erection of communication antennas, Hawaii and Washington	2,000
	Technical supplies required in establishing Hawaii microwave station	1,000
31	Equipment: Antenna poles for communication antennas, Washington and Hawaii	2,000
32	Land and structures: Purchase of land and erection of building and associated real facilities, Hawaii microwave monitoring station	25,000

Fiscal year 1965, other objects, $9,200

21	Transportation of personnel: Travel costs, 9 employees, Santa Ana to California Wullenweber site	200
22	Transportation of things	5,200
	Transportation of equipment to California Wullenweber site	2,500
	Transportation of household goods for Santa Ana personnel	2,700
25	Other services: Services in connection with erection of antenna for emergency communication circuit, California Wullenweber station, including preparation of site	2,000
26	Supplies and materials: Technical supplies for erection of communication antennas, California	1,000
31	Equipment: Antenna poles for communication antennas, California	800

Reduction in operating costs (other objects)

	1964	1965 and later
Searsport, Maine, property rental (eliminated)	$1,200	$1,200
Maintenance and repairs of buildings, roads, and grounds (services and materials)	2,000	3,500
Maintenance and repairs of direction finders, antennas, emergency powerplants, and other outside plant facilities (parts, materials, and contractual labor)	2,000	4,000
Total saving	5,200	8,700

APPROPRIATIONS 1962 AND ESTIMATES 1963

Senator ALLOTT. The situation on the Federal Communications Commission is that the appropriations for 1962 were $12,525,000. The budget for 1963 is $14,617,000.

The House recommended $14,355,000, which was $1,830,000 above 1962 and is $262,000 less than the budget estimate, and you are requesting a reclama for that amount.

You have a reclama for that amount in?

Mr. LEE. Yes, sir.

Senator ALLOTT. Gentlemen, you will excuse me if we recess for about 2 minutes.

(At this point a short recess was taken.)

Senator ALLOTT. The committee will come to order.

This is off the record.

(Discussion off the record.)

Senator ALLOTT. Who is going to testify this morning?

Mr. LEE. Well, as you know, this is our summer recess, so Commissioner Ford and myself are holding the fort down, and by reason of seniority, if for no other reason, I am the Acting Chairman.

Senator ALLOTT. Well, here is my chairman right here.

Senator MAGNUSON. Go right ahead.

Senator ALLOTT. You go right ahead and proceed now.

EFFECT OF BUDGET REDUCTION

Mr. LEE. With respect to our appropriation request, as you have indicated, the reduction of some $262,000 is detailed in the appeal justifications that have been placed in the record. We are appealing this reduction.

Actually, this will require a sum of $352,000 spread by reason of the fact that we are absorbing the requirements for our Review Board which has been set up pursuant to legislation passed last year by the Congress.

We currently have on the rolls some 1,366 permanent people, and the House allowance would not quite carry those 1,366 people through the full fiscal year.

With the exception of the space operation and the request for data processing, if the House allowance stands we will have some difficulties spreading the funds. In the Space Agency, I believe, the House allowed us 19. We asked for 22.

So that we would urgently suggest that you reconsider the House action and see if you cannot restore that $262,000, at which time we will still absorb the Review Board's $90,000.

ROLE OF REVIEW BOARD

Senator MAGNUSON. State for the record what you are trying to do with your Review Board.

This is new, is it not?

Mr. LEE. Yes. I would like to defer to Commissioner Ford on this question. He has been the expert on this.

Senator MAGNUSON. All right, Commissioner Ford, what is the Review Board?

Commissioner FORD. An amendment to the Communications Act was approved on August 31, 1961——

Senator MAGNUSON. Yes.

Commissioner FORD. And it authorized us at that time to set up a Review Board.

We have tried to move very carefully to avoid any mistakes, because this, we think, is a prototype and, if successful, can have a great impact on the efficiency of the administrative system in the Federal Government.

The Board began to function with four members on August 1.

APPOINTMENTS TO BOARD

Senator MAGNUSON. Now, where did you pick them from? Where do they come from?

Mr. FORD. They are very experienced people. They came from our staff.

I have biographical sketches of each of the members here.

Senator MAGNUSON. I do not need that. I would just like to know whether you got them on the outside or whether they came from the inside force.

Mr. FORD. I came to the Commission 14 years ago or more, and Mr. Dee Pincock was there then, and he has had extensive experience throughout various parts of the Commission, and he is from the Office of the General Counsel of the Commission.

He is one of the members.

Mr. Donald Berkemeyer was also there when I came to the Commission and he, throughout the years, has had extensive experience in Common Carrier and as Chief of the Review Section—the section which has written the opinions under the direction of the Commission—and we consider both of these men exceptionally well qualified.

In addition to that, Mr. Joseph Nelson is the third member and, by the way, these two gentlemen are lawyers, and Mr. Nelson is also a lawyer.

He has been Chief of the Renewal Section ever since it was formed, I believe, or at least shortly after it was formed he became chief of it and he, too, was at the Commission at the same time or before I came there or the same number of years ago.

So he, too, has had very extensive experience and, at one point, when I was a member of the Review Section he was also a member.

So he has had experience in preparing opinions and dealing with exceptions.

The fourth member is an engineer. His name is Mr. Horace Slone. His last position with the Commission was engineering assistant to Commissioner Bartley. I do not know how many years of experience in communications he has had, but a great deal of it was in hearing work.

I know I have been in many hearings in which he was the engineering specialist that assisted me at the time I was chief of the Hearing Division.

I believe he is regarded as one of our finest engineers at the Commission, highly competent and an excellent technical man in the field of hearings.

So he can keep the Board straight on the technical aspects of it.

NUMBER OF BOARD MEMBERS

Now, those are the members of the Review Board that have——

Senator MAGNUSON. You plan to have four or five?

Mr. FORD. Well, tentatively, four. You see, the workload of cases that are designated for hearing before this law was passed cannot be sent to this Review Board.

So there is no point in appointing five men and using money for that purpose until we need it.

And I believe the Commission will agree later that we will need five members of the Board when the work builds up to it.

CASES TO BE HANDLED BY REVIEW BOARD

Senator MAGNUSON. Well, how are they going to function?

What cases are they going to handle?

Mr. FORD. Well, they will take all cases except where there is a—do you have a copy of the exceptions?

Mr. PINCOCK. Yes.

Mr. FORD. Substantially all of the cases that are designated for hearing unless the Commission specifies otherwise at the time that those cases are designated for hearing.

Senator MAGNUSON. This is an oral argument?

MATTERS TO REMAIN WITH COMMISSION

Mr. FORD. Well, there are some excepted fields. For example, revocation proceedings is one. We have excepted those.

We think that when we are going to take something away from a licensee that that matter should come to the Commission directly from the hearing examiner.

Senator MAGNUSON. All right. So you eliminated revocation proceedings?

Mr. FORD. We eliminated renewals, for example, on a question of whether or not a renewal license should be granted.

Senator MAGNUSON. Station renewal?

Mr. FORD. That is right.

Senator MAGNUSON. All right.

What is this crowd going to do then?

REVIEW BOARD TO HEAR ORAL ARGUMENTS

Mr. FORD. Well, we had last year, for example, or the last year I have figures for we had some 70 cases that were disposed of by the Commission after oral argument.

In addition to that, the Chief Hearing Examiner passed on roughly 400 interlocutory matters and the Commission itself passed on approximately the same number.

So that around 800 original actions, with respect to interlocutory matters, will now be handled by this Review Board in addition to the review of the 70-odd or more cases that they will designate for oral argument and decide.

The number may not come up to 70, but it may go above the 70 figure, depending——

Senator MAGNUSON. I am trying to find out what, actually, they are going to be doing.

Mr. FORD. They will listen to oral arguments. They will be, in effect, an intermediate appellate court.

Senator MAGNUSON. Intermediate between the examiner and the Board?

Mr. FORD. No; first there will be an initial decision, under the Administrative Procedure Act by an examiner to which an appeal can be taken.

In those cases that are specified for the Review Board that appeal can be taken to the Review Board.

They will listen to oral arguments, pass on the exceptions, and write a final opinion.

APPEAL OF REVIEW BOARD ACTION

Now, there will be then an opportunity for the applicant to appeal to the Commission, but the old law requires us to hear oral argument in every case in which it is requested.

The new law says that we can accept those appeals just as the Supreme Court accepts certiorari on a discretionary basis.

Senator MAGNUSON. But an applicant or a petitioner can get to the Commission finally if he wants to appeal from the Review Board?

HANDLING OF APPEALS BY COMMISSION

Mr. FORD. Yes, he can get to the Commission. Now, the Commission does not have to take him.

Senator MAGNUSON. As a matter of right——

Mr. FORD. No, sir.

Senator MAGNUSON. The Commission can decide whether they want to take him?

Mr. FORD. That is right. Now, when once we decide that he is entitled to review we will give him full review before the the Commission.

Senator ALLOTT. But necessarily—

Mr. FORD. But not necessarily.

ORAL ARGUMENT NOT COMPULSORY

Senator ALLOTT. Well, wait a minute—not necessarily for an oral argument, as I understand it?

Mr. FORD. Well, no, sir, but I think—oral argument will be discretionary, but I assume that a case we regard sufficiently important to review such as a new policy to decide or something of that order, we will certainly want oral argument in it, but it is not compulsory.

Senator MAGNUSON. Does this apply to all orders by the Commission, all proceedings by the Commission, with the exceptions of the ones you took out?

Mr. FORD. That is the oral argument requirement?

Senator MAGNUSON. No; the ——

Mr. FORD. Oh, yes.

Senator MAGNUSON. The right to go to the Appeal Board?

Mr. FORD. The answer to that is "Yes."

Senator MAGNUSON. The Review Board, rather?

Mr. FORD. Yes.

Senator ALLOTT. Except for revocations?

Mr. FORD. Except those I have said that we had excluded.

Senator MAGNUSON. But you issued some rules on exceptions?

Mr. FORD. That is right.

Senator MAGNUSON. Cases which you do what you have always been doing, and those cases you will have a chance to go to the Commission?

Mr. FORD. That is right. I cannot imagine the Commission revoking a license or denying a renewal of license and not giving the man an oral argument.

While I say it is not compulsory, under the law, for us to give it to him, I just cannot imagine us operating in any other fashion.

NUMBER OF REVOCATIONS

Senator MAGNUSON. How many revocations—revocation cases have you pending now?

Mr. LEE. I believe there are nine, Mr. Chairman.

Senator MAGNUSON. How many licenses did you revoke this past year; four?

Mr. LEE. I believe in the neighborhood of four, Mr. Chairman.

Senator MAGNUSON. Well, put in the record the amount.

Mr. LEE. All right.

(Information referred to is contained in a letter introduced later in hearing; see p. 1230.)

Senator MAGNUSON. And you have nine pending?

Mr. LEE. Right.

Senator MAGNUSON. And they are depending upon the initiation of the Commission?

Mr. LEE. Right. And we have, in addition——

Senator MAGNUSON. Are they all radio?

Mr. LEE. These nine cases that I am thinking of are radio.

Senator MAGNUSON. And the four were radio, were they not?

Mr. LEE. Well, by "radio" I am including both radio and television.

Senator MAGNUSON. Were there some television ones?

Mr. LEE. One, I believe.

Senator MAGNUSON. One?

Mr. LEE. We have something on that written up. In addition, of course, we have imposed a number of fines and a number of short-term licenses.

You recall when——

Senator MAGNUSON. They are in the nature of putting the fellow on probation?

Mr. LEE. Probation for a year instead of three.

Senator MAGNUSON. How many were actually revoked? I mean, just taken away, with no fine, no probation, no nothing?

Mr. LEE. In fiscal 1962 there were four revoked.

Senator MAGNUSON. Taken away completely?

Mr. LEE. Taken away completely, and two in which we did not grant renewal which is, in effect, a revocation.

Senator MAGNUSON. Well, I take it if you do not grant renewal it was taken away?

Mr. LEE. It is a difference, yes, without a distinction.

NUMBER OF FINES ASSESSED

Senator MAGNUSON. And how many did you impose fines on?

Mr. LEE. In the nature of 17. I reserve the right to correct that record.

Senator MAGNUSON. Well, put in the record the amount, and the amount of the fines.

(The information referred to is contained in a letter introduced later in hearing; see below.)

Mr. LEE. All right, sir; it was in the neighborhood of——

SHORT-TERM LICENSES

Senator MAGNUSON. Then put in the record how many went on probation, short-term licenses.

Mr. LEE. OK, sir. We will be happy to do that.

Senator MAGNUSON. And what were radio and TV and what were radio and/or TV.

Mr. LEE. We will describe them in complete detail.

(The information referred to is contained in a letter introduced later in hearing; see below.)

Senator MAGNUSON. And you have, you say, approximately nine more pending?

Mr. LEE. That is correct. Yes; in various stages of adjudication.

JURISDICTION IN FINE AND REVOCATION CASES

Senator MAGNUSON. Now, all of those go right to the Commission. I mean, they follow the regular procedure, but they end up with the Commission?

Mr. FORD. And if for no other reason, because the existing law prior to the amendment is applicable in those cases.

Senator MAGNUSON. Those in the future——

Mr. FORD. Will go also before the Commission.

Senator MAGNUSON. But this is a pretty drastic action and all of these things I suppose will end up in the courts, all of these things that can, but in the future then those will all go to the Commission?

Mr. LEE. Mr. Chairman, I have this document that I am thinking of, reviewing what we have done with respect to the questions you had asked.

Senator MAGNUSON. All right.

Mr. LEE. This was in the form of a letter to Senator Pastore.

Senator MAGNUSON. All right. Put that in the record, if you will, please.

Mr. LEE. Yes, sir.

(The letter referred to follows:)

AUGUST 2, 1962.

Hon. JOHN O. PASTORE,
Chairman, Communications Subcommittee, Interstate and Foreign Commerce Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR PASTORE: You asked us to give a report on actions taken by the Commission since I became Chairman, with particular reference to enforcement actions in the broadcast field. I am, of course, happy to supply such a report.

Following is a brief summary of actions taken by the Commission since March 1, 1961, in the broadcast area.

Four broadcast licenses have been revoked, and the Commission has issued nine additional orders to show cause why an order of revocation should not be issued. Appendix A contains a list of the stations whose licenses have been revoked and to which show-cause orders have been issued, with a statement of the grounds for the Commission's action in each case and the current status of the case.

Three broadcast stations have been refused renewal of license, and 19 other renewal applications have been designated for hearing. Appendix B lists these stations, with the grounds for the Commission's action in each case and the current status of the case.

Thirteen stations have received notice of apparent liability for forfeiture, and penalties in the amount of $18,500 have been paid to date. Appendix C lists all forfeiture cases, together with the Commission's grounds for action and the status of each case.

Twenty broadcast stations have been given short-term license renewals under authority granted the Commission by an amendment to section 307(d) of the Communications Act, approved September 13, 1960. A list of these stations is given in appendix D.

The Commission also has deferred renewal of many licenses pending further consideration. In the great majority of these cases, the applicant subsequently has been able to satisfy the Commission as to his compliance with the rules and has been granted renewal of license. As of January 1, 1960, 244 renewals were deferred; as of January 1, 1961, 519 renewals were deferred; as of January 1, 1962, 598 renewals were deferred, and as of July 1, 1962, 433 renewals were deferred.

As you know, many significant actions taken by the Commission within the past 17 months do not fall within the categories listed above. Some of these actions are described briefly in appendix E.

Please let us know if we can be of further service.

Sincerely yours,

NEWTON N. MINOW, *Chairman.*

APPENDIX A

Revocation cases

Station	Grounds	Date of show cause order	Present status
WIOS, Tawas City, Mich.	Misrepresentation in application.	Mar. 15, 1961	License revoked Dec. 20, 1961.
WGRC, Green Cove Springs, Fla.	Unauthorized transfer of control.	Feb. 14, 1962	License revoked June 27 1962.
KCPA, Dallas, Tex.	Technical violations.	Feb. 6, 1962	Do.
KLFT, Golden Meadow, La.	Misrepresentation and technical violations.	Jan. 18, 1961	License revoked Mar. 15, 1962.
KBOM, Bismarck-Mandan, N.Dak.	Unauthorized transfer and other violations.	Nov. 30, 1960	Initial decision for revocation issued Apr. 3, 1962.
KPSR, Palm Springs, Calif.	Unauthorized transfer of control.	July 19, 1961	Initial decision for revocation issued June 27, 1962.
WPFA, Pensacola, Fla.	Falsification of logs and other misrepresentation.	July 26, 1961	Initial decision for revocation issued May 28, 1962.
WLOV-FM, Cranston, R.I.	Misrepresentation and technical violations.	Nov. 1, 1961	Hearing waived; awaiting final decision.
KWK, St. Louis, Mo.	Rigged contest.	Nov. 2, 1960	Awaiting initial decision.
WMPP, Chicago Heights, Ill.	Misrepresentation and unauthorized transfer of control.	Apr. 12, 1961	Hearing waived; awaiting final decision.
WDOV, Dover, Del.	Misrepresentation, double billing, and other violations.	June 6, 1962	Awaiting hearing.
WIZR, Johnstown, N.Y.	Character qualifications, hideen ownership; and misrepresentation.	May 2, 1962	Do.
WCLM, Chicago, Ill.	Horseracing information, assisting illegal gamblers, and numerous other violations.	July 25, 1962	Do.

APPENDIX B

Renewal cases

Station	Grounds	Date designated for hearing	Present status
WREA, East Palatka, Fla.	Unauthorized transfer; abandonment.	July 19, 1961	Renewal denied Jan. 4, 1962.
KRLA, Pasadena, Calif.	Rigged contests, altering program logs, etc.	June 29, 1960	Renewal denied July 18, 1962.
WDKD, Kingstree, S.C.	Vulgar and suggestive programs; misrepresentations, etc.	Mar. 15, 1961	Renewal denied July 25, 1962.
WMOZ, Mobile, Ala.	Falsification of logs and other misrepresentation.	July 26, 1961	Initial decision for denial of renewal May 28, 1962.
WGMA, Hollywood, Fla.	Character qualifications of licensees (rigged quiz shows).	Apr. 12, 1961	Now in hearing.
WITT, Lewisburg, Pa.	Misrepresentation and unauthorized transfer.	Mar. 8, 1961	Decision adopted May 23, 1962 renewing license for 1-year term.
KISS-FM, San Antonio, Tex.	Misrepresentation	Dec. 2, 1959	Awaiting initial decision.
KMAC, San Antonio, Tex.	do	do	Do.
WRCV (AM and TV), Philadelphia, Pa.	Character qualifications (alleged violation of antitrust statutes).	June 13, 1962	Awaiting hearing.
WSPN, Saratoga Springs, N.Y.	Misrepresentation, character qualifications, etc.	May 2, 1962	Do.
WXFM, Elmwood Park, Ill.	Misrepresentation, unauthorized transfer, etc.	Dec. 2, 1959	Awaiting initial decision.
WWIZ, Lorain, Ohio	Unauthorized transfer	Feb. 21, 1962	Hearing continued to Sept. 10, 1962.
WFAR, Farrell, Pa.	do	do	Do.
KCKY, Coolidge, Ariz.	Unauthorized transfer and technical violation.	June 23, 1960	Initial decision for denial of renewal Feb. 23, 1962.
KCLF, Clifton, Ariz.	Unauthorized transfer and technical violations.	do	Do.
KGLU, Safford, Ariz.	do	do	Do.
KVNC, Winslow, Ariz.	do	do	Do.
KZOW, Globe, Ariz.	do	do	Do.
KWJB-FM, Globe, Ariz.	do	do	Do.
WNAC, Boston, Mass.	Trafficking; character qualifications.	July 18, 1962	Awaiting hearing.
KPOR, Quincy, Wash.	Misrepresentation and unauthorized transfer.	Oct. 4, 1961	Proceeding terminated Mar. 21, 1962, by acceptance of amended ownership report.

APPENDIX C

Forfeiture cases

Station	Grounds	Date of notice of antenna license and amount	Date of forfeiture order and amount	Date paid and amount
KDWB, St. Paul, Minn	Operation at night with daytime facilities (terms of license).	Mar. 22, 1961, $10,000	July 26, 1961, $2,5000	Aug. 17, 1961, $2,500.
KOMA, Oklahoma City, Okla	Operation at night with daytime facilities and excessive field strength at monitoring points (terms of license).	Nov. 21, 1961, $10,000	June 27, 1962, $5,000	
WCUY-FM, Cleveland Heights, Ohio	Operating unlicensed transmitter (secs. 3.216 and 3.217)	Dec. 6, 1961, $8,000	June 27, 1962, $4,000	
KDAY, Santa Monica, Calif	Teaser announcements (sec. 317 of act)	Dec. 18, 1961, $5,000	Apr. 12, 1962, $5,000	Apr. 18, 1962, $5,000.
WNOE, New Orleans, La	Rigged contest (sec. 509 of act)	Mar. 28, 1962, $10,000		Apr. 18, 1962, $10,000.
KOLS, Pryor, Okla	Presunrise operation (secs. 3.73 and 3.87)	Mar. 28, 1962, $1,000	June 13, 1962, $1,000	June 21, 1962, $1,000.
WOL-FM, Washington, D.C	Operating unlicensed antenna (secs. 3.216 and 3.217)	June 6, 1962, $1,000		
WDOV, Dover, Del	Possible alternative to revocation (secs. 2.405, 3.111, and 3.116 of rules).	June 6, 1962, $10,000		
WBNX, New York, N.Y	Logging rules and sec. 317 of the act	July 3, 1962, $10,000		
WCHI, Chillicothe, Ohio	Repeated technical violations (secs. 3.55 and 3.93(c) of rules).	July 25, 1962, $3,000		
WCHO, Washington Court House, Ohio	Technical violations (sec. 3.93(c) of rules)	July 25, 1962, $1,500		
WKOV, Wellston, Ohio	Technical violations (sec. 3.93(c) of rules)	July 25, 1962, $2,000		
KELP, El Paso, Tex	Failure to give sponsorship identification (sec. 317 of act).	July 25, 1962, $5,000		

APPENDIX D

Broadcast stations to which short-term license renewals have been granted since March 1, 1961

WIRA, Fort Pierce, Fla.
WIRA–FM, Fort Pierce, Fla.
WVOW, Logan, W. Va.
WPET, Greensboro, N.C.
WOOK, Washington, D.C.
KORD, Pasco, Wash.
WILD, Boston, Mass.
WAVA, Arlington, Va.
WAVA–FM, Arlington, Va.
WKKO, Cocoa, Fla.
KDB, Santa Barbara, Calif.
WAPA, San Juan, P.R.
WHOL, Allentown, Pa.
WESY, Leland, Miss.
WBRO, Waynesboro, Ga.
WSME, Sanford, Me.
WSRA, Milton, Fla.
KARY, Prosser, Wash.
WITT, Lewisburg, Pa.
WCHJ, Brookhaven, Miss.

APPENDIX E

A CHRONOLOGICAL LIST OF SOME OF THE ACTIONS TAKEN BY THE COMMISSION IN THE BROADCAST FIELD SINCE MARCH 1, 1961, WHICH DID NOT FALL WITHIN THE CATEGORIES COVERED IN THE OTHER APPENDIXES

INQUIRY INTO MEANS OF OBTAINING VHF CHANNELS FOR EDUCATIONAL USE

On March 29, 1961, the Commission ordered an inquiry into means of obtaining VHF channels for educational use in New York and Los Angeles, both of which lacked educational channels in the VHF band. (On October 25, 1961, the Commission approved the transfer of station WNTA–TV to a New York City educational group, thus providing New York with its first VHF educational station.)

STANDARDS ADOPTED FOR FM STEREOPHONIC BROADCASTING

On April 19, 1961, the Commission adopted standards for stereophonic broadcasting by FM stations, thus making possible the broadcast by a single FM station of "compatible" stereophonic programs, receivable monaurally by monaural FM receivers and stereophonically by FM receivers capable of such reception.

LEGISLATION RECOMMENDED TO REQUIRE ALL-CHANNEL TV RECEIVERS

On June 19, 1961, the Commission recommended to the Congress that legislation be adopted requiring that all television receivers manufactured in the future and sold in interstate commerce be capable of receiving the 70 UHF television channels, as well as the 12 VHF channels, in order to make possible the development of UHF television on a nationwide scale. (Such legislation subsequently was adopted by both Houses of Congress and signed into law by the President.)

FURTHER RULEMAKING PROPOSED REGARDING THE SHOWING BY BROADCASTERS OF THEIR EFFORTS TO MEET THE NEEDS AND DESIRES OF THEIR AUDIENCES

On July 7, 1961, the Commission proposed further rulemaking relating to the showing by broadcasters, in their application forms, of their efforts to ascertain and fulfill the needs and desires of the people they are licensed to serve. (The Commission still is evaluating the many comments filed regarding this proposal and is now making final revisions in the proposed rulemaking.)

EXPERIMENTAL UHF–TV STATION IN NEW YORK CITY

On July 14, 1961, the Commission announced conclusion of an agreement with the city of New York whereby that city would operate an experimental UHF television station for the Commission, such operation being intended to provide data as to the comparative coverage of UHF and VHF television stations in large cities. (Experimental operation of WUHF–TV began in October 1961. The tests will end on October 31, 1962. Final results will not be known until after the experiment ends, but a number of interim analyses have been provided the Commission.)

EDUCATIONAL TELEVISION

On October 18, 1961, the Commission established a new Research and Education Division within the Broadcast Bureau to aid the development of educational broadcasting.

NETWORK PRACTICES

On October 25, 1961, the Commission informed the Columbia Broadcasting System that its new compensation plan for television affiliates was in apparent violation of the Commission's network rules in that, in the Commission's belief, the effect of the compensation plan would be to force affiliates to take a full line of afternoon and evening CBS commercial programs to the exclusion of programs produced by the affiliates themselves or supplied by other program producers. On May 29, 1962, the Commission adopted a memorandum opinion and order holding that the CBS plan violates the network rules.

FALSE, MISLEADING, OR DECEPTIVE ADVERTISING

On November 7, 1961, the Commission sent a public notice to all broadcast licensees informing them of a new joint program instituted by the FCC and the Federal Trade Commission to aid broadcasters in eliminating fraudulent and deceptive advertising matter.

COMMISSION POLICY ON BROADCAST OF HORSERACING INFORMATION

On November 22, 1961, the Commission issued a public notice addressed to all licensees reminding them that the broadcast of horseracing information which would be of substantial use of persons engaged in illegal gambling is not in the public interest, and setting out the type of broadcast material which has been found to be of substantial use to illegal gambling interests. (Broadcast of horseracing information which appeared likely to be of substantial use to persons engaged in illegal gambling activities was one of the grounds cited by the Commission in its July 25, 1962, order of revocation against Station WCLM, Chicago, Ill.)

ACTION TO EXPEDITE TELEVISION SERVICE TO UNDERSERVED COMMUNITIES

On December 6, 1961, the Commission modified its rules to provide specifically for interim grants to groups competing for television authorization, in order to allow such groups jointly to provide new television service, pending the resolution of comparative hearings for the channels. (Such interim operation has now been authorized in Rochester and Syracuse, N. Y., and in Grand Rapids, Mich.)

HANDLING OF CONTROVERSIAL ISSUES AND SPONSOR IDENTIFICATION

On December 6, 1961, the Commission sent a leter to each station broadcasting a program featuring Carlton Fredericks in talks on matters of diet, nutrition, and health. On the basis of its investigation of complaints received about this program, the Commission asked the stations broadcasting the program to submit statements on their policies in obtaining responsible representation of varying viewpoints on controversial issues of public importance that had been discussed on the program, and also to submit statements regarding their efforts to learn whether a certain mail-order vitamin firm should have been identified as the sponsor of the program. (On the basis of replies submitted by the stations and additional information supplied by counsel for Fredericks, the Commission on July 20, 1962, issued a report on its findings of fact in this case and on the applicability of the rules to the facts.)

INQUIRY INTO LOCAL PROGRAMING OF CHICAGO TELEVISION STATIONS

In February 1962, the Commission ordered an inquiry into local television programing of Chicago television stations, following the receipt of numerous complaints on this subject. This was the first such hearing ever authorized by the Commission in a single city concerning the programing practices of all radio or television stations in that city. Hearings were held in Chicago before Commissioner Robert E. Lee in March and April 1961, during which more than 100 witnesses testified, in addition to representatives of the five Chicago television stations. On June 18, 1962, Commissioner Lee submitted his report to the Commission on the Chicago inquiry.

BROADCAST LICENSEES WARNED AGAINST "DOUBLE BILLING"

On March 9, 1962, the Commission issued a public notice warning broadcast licensees against engaging in the practice of "double billing," i.e., submitting to a local advertiser two bills for the same advertising, one in the amount agreed upon for the advertising material broadcast and the other in a larger amount, to be submitted by the local advertiser to a manufacturer or distributor in order to support a claim for reimbursement pursuant to a cooperative advertising agreement between the local merchant and the manufacturer. The issuance of the second, false bill is part of a scheme to defraud the manufacturer or distributor. (Double-billing was one of the grounds cited by the Commission in its order of revocation, June 6, 1962, against Station WDOV, Dover, Del.

COMMISSION ADOPTS RULES REQUIRING HEARINGS ON SALES OF BROADCAST STATIONS HELD FOR LESS THAN 3 YEARS

On March 15, 1962, the Commission adopted new rules which, with certain exceptions, require hearings on applications for consent to sales of broadcast stations which have been held for less than 3 years by the proposed sellers. In addition, the Commission stated that it will continue to examine applications for sales of stations held more than 3 years for evidence of "trafficking" in broadcast licenses. (The term "trafficking" means the acquisition of a broadcast station for the purpose of profiting on resale.)

CHAIRMAN MINOW PROPOSES A NATIONAL CONFERENCE ON RADIO

On April 3, 1962, in an address to the National Association of Broadcasters, Chairman Minow reviewed the problems of standard radio stations, in the light of the competition from television during the same period in which the number of standard radio stations had greatly increased. He proposed a National Radio Conference designed to study and seek solutions to the problems of many AM stations. Later, the National Association of Broadcasters voted its endorsement of the Chairman's proposal. The conference is scheduled to take place in the fall of 1962.

REEXAMINATION OF ASSIGNMENT POLICIES FOR AM AND FM RADIO

On May 10, 1962, the Commission ordered a partial halt to the acceptance of applications for new standard broadcast stations as a first step in its reexamination of the rules and standards employed in granting AM radio assignments. At the same time, the Commission directed preparation of a notice of proposed rulemaking on allocation of FM stations, which would invite comments on the adoption of an FM table of assignments similar to the table of assignments in the television rules. The adoption of such a table would do much to protect the technical integrity of the very important FM service, which is experiencing a rapid growth. (On July 25, 1962, the Commission adopted a report and order and notice of further rulemaking in the overall FM allocation proceeding.)

BROADCASTERS WARNED AGAINST "TEASER" OR "COME-ON" SPOTS

On May 29, the Commission warned broadcasters against the use of "teaser" or "come-on" spot announcements, in which neither the sponsor nor the sponsor's product is identified. The Commission pointed out that stations which broadcast paid announcements which do not reveal the identity of the sponsor are in direct violation of the Communications Act and the Commission's rules. (A forfeiture of $5,000 was imposed upon station KDAY, Santa Monica, Calif., on April 12, 1962—and paid by that station on April 18, 1962—for broadcast of teaser announcements.)

PRESUNRISE OPERATION BY STANDARD BROADCAST STATIONS

On April 17, 1962, the Communications and Power Subcommittee of the House Interstate and Foreign Commerce Committee was informed by the Commission that its staff is preparing the necessary material for a contemplated notice of proposed rulemaking looking toward permitting additional hours of operation by daytime stations, with special attention to a possible limited easing of presunrise restrictions on class III stations in communities which have no unlimited time station.

NEW REVIEW BOARD ESTABLISHED

On June 6, 1962, the Commission established an Employee Review Board, in accordance with the provisions of the FCC Reorganization Act (Public Law 87-192, Aug. 31, 1961). By delegating many of its less important review functions to the new Review Board, the Commission will be enabled to devote a far greater portion of its time and energies to major matters of communications planning and policy.

RULEMAKING BEGUN TO ELIMINATE REGIONAL CONCENTRATIONS OF OWNERSHIP OF BROADCAST STATIONS

On July 18, 1962, the Commission announced new rules designed to provide stricter limitations on the common ownership or control of AM, FM, and TV broadcast stations which serve substantially the same area. The new rules, referred to as "overlap" or "multiple ownership" rules, are intended to preserve and augment the opportunities for effective competition in the broadcast industry and to implement the Commission's policy of maximizing diversification of program and service viewpoints.

NEW AUXILIARY SERVICE TO PROMOTE EDUCATIONAL TELEVISION

In July, 1962, the Commission proposed a new class of service to promote educational television by using channels in the 1990–2110 megacycle or 2500–2690 megacycle band to transmit instructional and educational material to schools and other selected receiving locations. This would enable a control transmitter to serve scattered local schools or other reception points which would convert the transmissions for viewing on conventional TV receivers at these places. The number of channels would be sufficient to permit sending different subjects simultaneously to different classrooms. Such operations would be less costly than closed-circuit or microwave relay systems used for the same purpose. Tests of such a system at Plainridge, Long Island, N.Y., indicate its feasibility.

TWELVE NEW EDUCATIONAL CHANNELS FOR FLORIDA, SIX FOR GEORGIA, NINE FOR KENTUCKY

In July, 1962, the Commisison took the following action to promote the advancement of noncommercial educational television in the South: (1) Provided 12 new UHF educational channels for Florida; (2) Provided six new UHF educational channels for Georgia, and (3) Provided nine new UHF educational channels for Kentucky. These additions were requested by the respective State educational authorities in connection with their plans to develop State educational TV systems, and were made possible by "drop-in" channels or changes in commercial channel assignments which do not dislocate any operating broadcast station.

PROPOSAL TO MAKE NETWORK AFFILIATION AGREEMENTS PUBLIC

On July 13, 1962, the Commission adopted a Notice of Proposed Rulemaking for making public the network affiliation contracts filed with it. Recommendations that the contracts be made public have been urged by the staff report of the Senate Committee on Interstate and Foreign Commerce, the Antitrust Subcommittee of the House Comimttee on the Judiciary, and the Commission's network study group. The arguments advanced for making the contracts public are that such action would improve competition in the broadcasting industry, assist the affiliates in bargining with the networks, and improve the opportunities for industry self-regulation.

CASES TO BE HANDLED BY REVIEW BOARD

Senator ALLOTT. Now, this is on what?

Senator MAGNUSON. Now, what cases: what would be the typical cases that the Review Board would handle in the future?

Mr. FORD. Comparative radio cases. For example, if somebody applies for a 250-watt station in town A, and a competitor files for exactly the same station, then you have the regular criteria of local ownership and integration of ownership and management, and various criteria of that sort.

That kind of a case will go to the Board of Review and, in all probability, unless there is some serious policy question involved that decision would then be final.

Senator MAGNUSON. And also with cases where there is an engineering problem between two stations?

Mr. FORD. Cases of interference, two towns that are too close together, and there is mutually destructive interference which would arise if both were granted, and only one can be granted. That sort of case will go to the Review Board.

HANDLING OF COMPLIANCE CASES

Senator MAGNUSON. And compliance cases?

Mr. FORD. Well, compliance cases can end up in pretty serious revocation proceedings or something of that sort.

Senator MAGNUSON. Well, suppose it is not a revocation but a compliance case, where you just tell a licensee that "you are not doing just right and you have got to do it this way"?

Mr. FORD. Normally those are handled administratively.

Senator MAGNUSON. I know they are, but suppose I did not like the decision, could I go to these guys?

Mr. FORD. If you do not like the decision and refused to comply with the rules, then, in all probability, it would end up in a renewal matter.

Senator MAGNUSON. And then come back to you?

Mr. FORD. Yes; that is right.

HANDLING CEASE-AND-DESIST ORDERS

Senator MAGNUSON. Or a cease-and-desist order, suppose I did not like that. Then I would go to them?

Mr. FORD. That is correct. Well, first, on a cease-and-desist order: that is, an order to show cause as to why you should not cease and desist some practice.

Senator MAGNUSON. And then I could come to them?

Mr. FORD. If you persisted in doing it then we would have a hearing on that.

Then the decision of the hearing examiner would be appealable to the Board.

Senator MAGNUSON. To the Board of Review?

Mr. FORD. That is right, sir.

INDUSTRIAL LICENSE CONFLICTS

Senator MAGNUSON. Now, what about all of your conflicts in industrial licenses that are becoming more and more complicated?

I am thinking of——

Mr. FORD. We do not have too many hearings in that field or in that area. Most of those are in the nature of revocation proceedings or something of that sort.

Senator MAGNUSON. Well, I am thinking of just a hypothetical case where two people in a given area want or apply for a frequency for industrial uses and there is a conflict.

Mr. FORD. Well, this happens on occasion. For example——

Senator MAGNUSON. It might be an engineering conflict.

Mr. FORD (continuing). With the paging service. For example, two men want the same frequency in a town to operate a paging service. This would have to be designated for a hearing on a comparative basis as to which would best serve the public interest. And that would be appealable, after a hearing, to the Board of Review.

NUMBER OF BOARD MEMBERS

Senator MAGNUSON. Well, do you not think you ought to have an odd number on the Board of Review?

Mr. LEE. Well, actually, the fourth man is a swing man.

Mr. PINCOCK. Mr. Chairman, the Board will function on the final decisions in panels of three, and the advantage of a fourth man gives us an opportunity for one Board member to be working——

Senator MAGNUSON. Oh, I see.

The way you are going to set it up is that three members are going to be the Board of Review——

Mr. PINCOCK. On any given case.

Senator MAGNUSON (continuing). And the fourth will be the swing man. You might have one here or——

Mr. PINCOCK. Yes.

Senator MAGNUSON. So you intend to have, actually, a functioning three-man panel?

Mr. PINCOCK. A functioning three-man panel; and we will rotate the caseloads according to the distribution of the work.

Mr. FORD. We have patterned that after the court of appeals.

They have a three-man panel, for example, and no matter how many judges they have they still have the three-judge panel.

RIGHT OF COMMISSION TO TAKE CASES FROM REVIEW BOARD

Senator MAGNUSON. Now, does the Commission have the right at any time to, on their own initiative, lift a case from the Review Board?

Mr. FORD. Yes, sir; that is specifically provided in the law.

Senator MAGNUSON. I know it was, because this is a pretty serious matter.

Mr. FORD. Yes, sir.

Senator MAGNUSON. I mean a serious delegation of authority.

Mr. FORD. Yes, sir; otherwise the Commission would lose control, and the Commission has to maintain control of these proceedings at all times.

Senator MAGNUSON. But, on your own initiative, you can pull out anything from them?

Mr. FORD. That is right. That is specifically provided in the law.

Senator MAGNUSON. I suspect that you will be requested to do that on many occasions.

Mr. FORD. And I suspect, sir, we will do it if warranted, but we will deny it if in our view it is not warranted.

Senator MAGNUSON. I know, but these cases get involved in these things, or these people, and to them it is a pretty serious matter and they want to go to the highest power they can go to.

Mr. FORD. But, as you say, the power is there.

Senator MAGNUSON. The power is there on your own initiative to do it?

Mr. FORD. That is right.

Senator MAGNUSON. And you have not actually started this yet. Two cases have been designated, did you say?

Mr. FORD. Two cases have been designated for hearing before the Board for September, and they have issued some orders——

Senator MAGNUSON. Well, you had better look at it, after we get going here next year, to see where we are.

Mr. PINCOCK. Six months from now we will know much better how it is going to be.

Senator MAGNUSON. Now——

Senator ALLOTT. Before we leave that, Mr. Chairman——

Senator MAGNUSON. This is the law——

Senator ALLOTT. While we are on that, I would like to ask a couple of questions.

REVIEW BOARD DELAY ACTIONS

On this Review Board are you going to be in the position, for example, that we have found ourselves in in Colorado many years ago? We used to have our district courts, which are courts of general jurisdiction, and then we established a court of appeals which functioned for quite a few years.

And then it was finally done away with because we found that, really, all the court of appeals was doing was acting as a delayer of justice and most of the cases went up to the Supreme Court anyway.

Now, you have explained that you can refuse to accept jurisdiction from the Board of Review or the Review Board.

I would like to ask this question: Is there danger in operation of this Review Board that all that it is going to amount to is a delaying action between the examiner and the final determination by the Commission?

Mr. FORD. Well, certainly we recognize this danger, and if this proves to be correct then the Review Board will be a failure.

The Commission, I think, is determined for it not to be a failure, and to that end it would seem to me, and I think in our testimony before the committees at the time this bill was under consideration giving us this authority, we estimated that perhaps as many as six or seven cases a year would be granted full review by the Commission. If you get much more than that—we have not had any more than that in past experience, or at least it appears to me that way, of the kind of cases that ought to come to the Commission.

We have been plagued with oral arguments in cases involving very minute matters.

And while we were trying to work desperately during the last year or so on the communications satellite matter, our time was being occupied with these minute matters. It seemed to me that every time I got a few minutes that I thought I could spend studying this problem I would be involved in listening to some very unimportant case downstairs all day long.

Senator MAGNUSON. You are in the same position as most of the Senate right now.

Mr. FORD. Well, the Senate was able to give us a little relief in this respect, and we are not able to reciprocate. But this is a danger, and one which we are conscious of, and it could be that way. And if it does, well, then, I personally would say that we have made a failure of an attempt to speed up our service.

Senator MAGNUSON. But if that should happen, under the law, as I understand it, you still have the authority to pull up, make more exceptions, and pull up more to the Commission?

Mr. FORD. Yes, sir. We are not required to have a Board and——

Mr. LEE. Or abolish the Board.

Mr. FORD. The law says we may have.

Senator MAGNUSON. You can limit their jurisdiction as you see fit, as it works out from experience?

Mr. FORD. That is right.

Senator MAGNUSON. Or expand it?

Mr. FORD. That is right.

Senator ALLOTT. Well, there are these two dangers or two possibilities or traps or pitfalls.

COMMISSION CONSIDERATION OF PETITIONS FOR REVIEW

I would say the first is the one I mentioned, and the second I think might well be that the Board could fall into the pattern of refusing review, basing it entirely upon the decision of the Review Board, in which event people who really should have a right to have their case reviewed by the Commission—of course, I realize that everybody that comes up there thinks they have this right—would also be denied this.

So I think the Board has to keep a completely objective and constructive outlook on this thing in order to make the Review Board work as it ought to work.

Mr. FORD. Well, we are very much in hopes that the pattern will follow the pattern of an initial decision—exceptions, full argument before the Review Board, and a reasonable final decision based on the exceptions and the oral argument by the Review Board.

Now, a good many of our criteria under which we decide cases it seems to me at times are quite conflicting, and I have great hopes with the experienced lawyers and the engineers that we have on this Board that many of these things can be rationalized and that we will develop not stare decisis, of course, but a much firmer means of predicting what the outcome of a particular factual situation would be. I think it is possible to do it.

It is a very difficult task for them, but I think it can be done. I have great hopes that the men we have selected for this Board have that capacity and will accomplish it.

Senator MAGNUSON. We gave ourselves a lot of work, to pass this bill in Congress, because you are going to get all kinds of communications from Members of Congress on behalf of some constituent that thinks he should go up to the Commission.

The communication will not tell you whether the decision is right or wrong or suggest how you decided it, but it is going to be very difficult for a Member of Congress when a constituent runs to him and

says, "I have been robbed down there and I want the Commission to do this or that or the other thing."

And we are going to have to suggest or at least convey the request, not that you need to decide, that it should go up to the Commission, but you are going to get an awful lot of that pressure up here in these cases.

But, of course, the bulk of the cases are pretty much things that can be handled right by the Review Board anyway. Some of these others, I can just see them coming.

Mr. LEE. I can feel it.

Senator MAGNUSON. Yes; I can feel it, too.

And now, of course, another thing you have to watch carefully is that you do not have the Review Board doing all the work and the Commission doing nothing.

Mr. LEE. This is an objective——

Mr. FORD. Based on the 5 years that I have been there, I do not think there is very much danger of that.

REPORT OF MANAGEMENT FIRM

Senator MAGNUSON. Now, the management firm report of Booz, Allen & Hamilton recommended a staff increase, as I understand you have it here in your justification, of at least 125 people, is that correct, in the proposed role?

Mr. LEE. Booz, Allen & Hamilton; yes.

Senator MAGNUSON. Was that pretty much spread out all over the shop?

Mr. LEE. Yes.

STAFF UNDER HOUSE ALLOWANCE

Senator MAGNUSON. Now, how many people would the House amount give you?

Mr. LEE. 1,385, Mr. Chairman.

Senator MAGNUSON. And how many of the 125?

Mr. LEE. They didn't.

Senator MAGNUSON. Well, they gave you 17, did they not, or 19?

Mr. LEE. Well——

Senator MAGNUSON. They did allocate 12 positions, did they not, 12 to one section and 19—that is 31——

Mr. LEE. Mr. Cox can answer that?

Mr. COX. I think that the closest that we can come to answering that question would be to say that the House allowance would give us about 30 of the total that——

Senator MAGNUSON. The House figures would give you about 30 of the suggested 125?

Mr. COX. Approximately. By giving us increases in two fields, data processing and the space communications.

Senator MAGNUSON. Well, now, I am not talking about special fields. Let's just take the broad field.

Now, what do you suggest here? 200?

Mr. LEE. $262,000.

Senator MAGNUSON. $262,000 will give you in numbers?

Mr. LEE. 1,419.

Senator MAGNUSON. No, I mean of extra.

Mr. LEE. Extra? About 30. About 30 extra.

Senator MAGNUSON. So that you still—I am trying to get at this—you still are only getting, if the Senate would put it back, in general round figures about 60 of the 125 suggested. Is that right?

Mr. COX. Yes, sir, that is right.

Mr. LEE. Yes.

Senator MAGNUSON. But 30 of those are put in two specialized places?

Mr. LEE. Two, yes.

NEED IN SAFETY AND SPECIAL SERVICES

Senator MAGNUSON. Now, you suggest that you do not actually need the 12 in the special radio service?

Mr. COX. It would be our feeling that while this would enable us to get current very rapidly in safety and special, that this is somewhat out of proportion with our relative needs in other areas; that this treats safety and special out of line with our——

Senator MAGNUSON. What you are saying is that if this designation was taken out and left flexible you would use some in the safety and special radio services, but you would not use all 12?

Mr. COX. That is what we would recommend to the Commission, yes, sir, and I would hope that the Commission would agree with us.

INCREASES RECOMMENDED BY MANAGEMENT FIRM

Senator MAGNUSON. What did the Booz report or how do they divide the 125?

Into what categories did they divide it?

Mr. LEE. I do not believe they were specific.

Mr. COX. I do not have a copy of the report with me and it is a 600-page document, but——

Senator MAGNUSON. Well, do they say the bulk of them are going one place or pretty much across the board?

Mr. COX. It is pretty much across the board.

Senator MAGNUSON. From the Commission on down?

Mr. COX. They make statements all the way, that they need one more employee in this office and a few more in that one, and a few more in that one, and so we have to figure it out.

Senator MAGNUSON. So whatever we decide to do here you would rather have it flexible so that you could disperse these people where you think they are most needed?

Mr. LEE. Right.

Senator MAGNUSON. Is that right?

Mr. LEE. That is right.

Senator ALLOTT. Now you had 1,457 permanent positions in 1961, 1,476 in 1962, and 1,512 in 1963.

Mr. LEE. Those are "positions."

Senator MAGNUSON. Yes, that is permanent positions.

Mr. LEE. I think for 1962, we had what? 1,341.

This is average employment as distinguished from "positions," the difference between the timelag in hiring.

NUMBER OF RETIREMENTS

Senator MAGNUSON. All right. Now, you have 17 potential retirements this year?

Mr. LEE. That is about right.

Mr. COX. Yes, sir, that is correct.

That is correct.

Senator ALLOTT. It ought to be correct——

Mr. COX. That is correct.

EFFECTING STAFF REDUCTIONS THROUGH RETIREMENT

Senator ALLOTT. Now, this committee has taken a very hard look at these retirements, and I think the chairman and myself feel about alike in this, that these can be used for two purposes; (1) as a means of occasionally decreasing your staff, instead of getting rid of one at the top and then employing two more under the Parkinson rule of thumb at the bottom, and secondly, for upgrading and reorganization purposes.

We have talked to every one of the boards and commissions that have been before us on this, because we feel very strongly that retirement procedure just should not be an automatic thing where somebody is moved up and more people are employed to keep filling the gap.

We feel the attrition of retirement is a good opportunity to constantly reorganize and upgrade efficiency—the efficiency of your organization.

Mr. FORD. We have quite a problem with our retirees.

A good many of them are engineers. These men are in the field and some of them are going to be extremely difficult to replace, so much so that the mere quality of the people that we are losing may very well enforce on us the objective that the committee has in mind, because these people, some of them, just live this thing.

They are very difficult to replace, many of these men.

Mr. LEE. I might say, Mr. Chairman, that I read your statement on that and I checked around our agency, and I do not think we are guilty.

I also share your concern. I have seen this happen, but I do not think that, being as small as we are, it would be very difficult for us to use that process.

Senator MAGNUSON. Yes, but once in a while you find that where a fellow retires, instead of just going outside and hiring somebody to replace him, you can reorganize.

This is what businesses do, and you can do away with adding one more employee.

Now, no one suggests that where you have new work to do, when you set up a new division, you have to add more people, and we understand that, but you can make a little progress here in this growing and swelling Federal employment.

This is what good businesses do.

You sit around and wait for a certain person to retire so you can reorganize their place without hiring another one.

Mr. LEE. I remember in years past that we used to work on these matters when I was on the House Appropriations Committee.

We try very hard to find ways to reduce without hurting people, and that is by not filling the positions of people who retired.

This is the most feasible way of doing it. I still wish something could be done.

Senator MAGNUSON. Sometimes you will have a person, let's face it, about ready to retire and maybe, for physical reasons, he is not doing his job right or he cannot do all that he should do, so he is going to wait until he retires——

Mr. LEE. So you carry him for a year or so?

Senator MAGNUSON. So you carry him for a year or so but, in the meantime, because he cannot get the job done it affects the whole shop and you hire a couple of people down below.

Now, the thing to do is when the fellow does finally retire, instead of hiring forthwith somebody to take his place, use this for a reorganization.

Mr. LEE. Fine. I would like Mr. Cox to comment on this.

SIZE OF 1948 STAFF COMPARED WITH PRESENT

Mr. COX. May I make this one observation that has a general bearing with respect to this problem, as you say, of swollen Federal payrolls?

I carry a little booklet with me which has our employment history since the day the Commission was organized. We are almost exactly the size our agency was 15 years ago.

Senator MAGNUSON. That is the way it should be.

Mr. COX. And when you look at the problems in this field that we have, we are the same size numerically.

Of course, the dollar amount has gone up because, look what has happened to the dollar.

Senator MAGNUSON. There is no use in coming in here and making comparisons of your agency with another agency because that does not hold up at all.

Mr. FORD. What was the——

Senator MAGNUSON. Some of the others are so guilty in this field that you might look good by comparison and you are probably just average.

Mr. COX. Well, if you exclude the war period, when we had the "Special functions," 1948 was our peak employment, with 1,380 employees.

Mr. FORD. And at that time we did not have television.

Senator MAGNUSON. I understand that; but do not make comparisons with other agencies.

Mr. COX. No. You will notice that we have never done so.

Mr. FORD. This is against ourselves. We were comparing ourselves with what we have now and against what we had 15 years ago.

GROWING RESPONSIBILITIES OF REGULATORY AGENCIES

Senator MAGNUSON. And it is true, in most of the independent agencies, that Congress has given a lot of them new responsibilities.

But in your field, the radio and television pattern ought to be pretty well set, and you will not have so many of those problems, and then you have the problem of supervising and running it, and that should not take as many people as 10 or 15 years ago when you were having to grant licenses and changes and having the applicants, and fights and arguments, and troubles before the pattern was set for these.

Senator ALLOTT. Are you through on that?

Senator MAGNUSON. I want to ask one more question.

DATA PROCESSING PROGRAM

All of the agencies come in here with a computer program.

Are you initiating that down there, too?

Mr. LEE. As you know, Mr. Chairman, we have been expending some money in studying this problem for several years. We have finally completed all of the studying and are preparing to move ahead.

We have funds requested. I believe Mr. Cox can provide more details on this.

Those funds are for the equipment and, of course, we have people approved in the House allowance.

Senator MAGNUSON. To actually make a beginning in this field?

Mr. LEE. Yes. We have actually let the contract.

Senator MAGNUSON. But that will not help you employmentwise until it gets going.

Mr. LEE. Well, we have nine people, I believe, for the next year and we feel that this is within the realm of reasonableness to find, hire, and train these people.

Senator MAGNUSON. I have no more right now.

Senator ALLOTT. I have one question:

SPECIAL INVESTIGATION OF A.T. & T.

We have an unbudgeted request that came into the committee last night. I have not seen it yet, and it came up from the senior Senator from Tennessee, for $3 million for an FCC investigation of A.T. & T., and the telephone industry, with emphasis, I understand, on their satellite communications plans.

Would you care to comment upon the necessity or the need for this appropriation?

Mr. LEE. Yes. We have discussed this at the Commission——

Senator ALLOTT. Have you seen the request?

Mr. LEE. Yes; I am familiar with it and I saw Senator Kefauver's statement a few minutes ago.

The suggestion by Senator Kefauver seems to be a repetition of an investigation that was undertaken in 1935 by a special appropriation of, I believe, $1.5 million.

This was immediately following the passage of the FCC Act, and this was a historical investigation in great depth.

A report of some 650-odd pages was filed which became pretty much the basis of our regulatory activity since that time. We feel that we have kept this basic investigation up to date through our day-to-day activity in the regulation of the common carriers.

We feel that with the advent of the space age, Telstar, and the impact on communications generally, that our regular day-to-day carrier regulatory activity should be gradually expanded.

We do not support a request for a special investigation at this time. We do not know where we can get the people within the time limits involved.

I, myself, am not quite sure what we would do that we are not already doing except, perhaps, in greater depth.

I think, Fred, I am speaking for the Commission when I say that we do not support this type of one-shot investigation.

We think this is something that we should be doing all the time and we think that we are.

Senator MAGNUSON. But if you needed to enlarge your investigations not of only one thing in particular, but overall, you would have to come and ask for appropriations?

Mr. LEE. Right, and we expect or we are trying to gear our activity in this field with the development of communications.

And we think that the request that we made is about the best that we can do, and it is about as fast as we can move consistent with the developments in the field.

We could not divert our regular staff, for example, into a special investigation. We would have to hire people.

I do not quite know where we would get it. It would take time to train them, and I think we have a kind of a 3-year program.

I would like John Nordberg to expand a little bit on this.

PREFERENCE OF COMMISSION IN STRENGTHENING IN ANNUAL BUDGETS

Mr. NORDBERG. Well, with regard to our regular year-to-year appropriation, we feel that if we could increase about 25 or 30 people each year for the next 3 or 4 years, we then would have the staff available, we think, that could take care of our extra load in the common carrier regulation.

I think that is a practical number that we could recruit and train.

Senator MAGNUSON. Well, it seems to me that this particular case it may be desirable to do what the Senator from Tennessee suggests but, No. 1, I think you are going to go into this field, I think, at some greater depth if and when a bill on the satellite communication is signed, sealed, and delivered, but that would probably come in the first appropriations bill, make sure, because then we will know a little more of what we need to do or what we are trying to do or how it is progressing.

Secondly, a request like this should be accompanied, I would think, by a resolution of the U.S. Senate, pointing out what is needed to be done and then asking the Appropriations Committee for money to do it.

Senator ALLOTT. I would think so.

Senator MAGNUSON. An expression of policy should be made on the part of the Senate.

Senator ALLOTT. I would like to ask this: In his statement, which has been handed me since I raised this matter, the senior Senator from Tennessee has said that he has a letter from Mr. Minow, in reply to his, as to the urgency of such a need of such an investigation.

Mr. Chairman, I would suggest that this letter should be placed in the record in its entirety.

Senator MAGNUSON. We will put it in the record.

(The letter referred to follows:)

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C.

Hon. ESTES KEFAUVER,
Chairman, Subcommittee on Antitrust and Monopoly, Committe on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR KEFAUVER: This is in reply to your letter of July 17, 1962, in which you state your intention to request the Senate Appropriations Committee

to add $3 million to the Commission's appropriation for an investigation of the telephone industry which would cover such matters as the operations and structure of the industry; the nature and extent of competition therein; the relationship of these matters to the reasonableness of rates; and other matters pertinent to effective regulation by the Commission. You ask for confirmation that the Commission has authority to conduct such an investigation and that the sum of $3 million which you propose therefor is adequate.

In regard to additional appropriations, the Commission believes it would be in a position to carry on its continuing regulatory responsibilities more effectively if substantially increased funds were provided in our regular annual budget on a continuing basis. The Commission, as you know, has repeatedly requested increased budget allotments to enable us to deal more comprehensively with the regulatory problems which, in increasing number and complexity, have been occasioned by the rapid dynamic growth of the communications common carrier industry. Our requests have not always met with success, with the result that our staff and other regulatory resources have not grown commensurately with the regulatory problems of the industry. As we have testified before your committee and other congressional committees, while we are of the opinion that we have generally protected the public interest in just and reasonable communication rates and services, we fully recognize that with additional manpower and budget resources, we could carry on a more detailed regulatory program.

In this connection, a request to amend our fiscal 1963 appropriation by the addition of 21 employees for common carrier regulation has been sent to the Congress by the President. This request, if granted, would enable us, on a permanent and continuing basis, to better discharge our responsibilities in this vital field. If Congress further chose to provide funds for a broad investigation, we feel that this would also be beneficial since it would afford an opportunity to examine in greater depth the conditions in the telephone industry.

With respect to the specific questions contained in your letter, the authority vested in the Commission by the provisions of the Communications Act of 1934, as amended, is sufficiently broad and comprehensive to encompass an investigation of the matters and scope referred to in your letter. (See, for example, secs. 4(i), 215, 218, and 403 of the act).

Although in the time permitted it has not been possible to make a detailed determination as to the number of personnel and funds that would be required, the amount of appropriation you proposed for such an investigation appears to be within reason. It is assumed, of course, that the expenditure of the funds would be specifically authorized to continue beyond the current fiscal year inasmuch as it would be impossible to plan, staff, and complete such an investigation by June 30, 1963.

The foregoing views were adopted by the Commission on July 25, 1962.

By direction of the Commission:

NEWTON N. MINOW, *Chairman.*

USE OF ADDITIONAL FUNDS BY COMMISSION

Senator MAGNUSON. Mr. Minow does say that the Commission will be in a position to carry out its continuing regulatory responsibilities more effectively if substantially increased funds were provided in the regular annual budget on a continuing basis.

Mr. LEE. That is our point.

Senator YOUNG. If additional money was appropriated what would be the specific thing that you would go into, for example?

Mr. LEE. Offhand, as I say, without further study we would go into more depth than what we are already doing.

The examples, I think, are the corporate and financial history and the capital structure. I think I am reading the substance of what the Long amendment is on the satellite bill providing for this.

Intercompany transactions——

Senator MAGNUSON. But that was defeated by a substantial vote.

Mr. LEE. Well, I did not know that, but I suppose this is the same thing here.

I think they had in mind the Western Electric Co., and the relationship of Western Electric to the Bell System.

Senator MAGNUSON. I think you will find all of us, the way that we go at this is a little bit different, but all of us think probably the Commission should beef up, to use the word——

Mr. LEE. Right.

Senator MAGNUSON. Its regulatory functions on the communications telephone and other systems; that there has not been enough done or enough depth, but it should be done, I think, in the regular way, a continuing thing which you must have the responsibility to do at all times.

Mr. LEE. Right.

I believe we are in full agreement there, on a regular continuing basis.

Senator ALLOTT. Well, let me ask you this question here——

Senator MAGNUSON. There has not been enough of it, let's face it.

Senator ALLOTT. Do you feel that this has gotten out from under your control?

Mr. LEE. Oh, indeed not. I think our accomplishments over the years have been outstanding I might say.

RECENT RATE REDUCTIONS

The rates of interstate communications have been constantly going down when everything else has been going up.

We have had a number of reductions. The latest one was really an accounting separation problem where we transferred some $45 million from intrastate to interstate, and already the State regulatory bodies have effected reductions in the specific States aggregating some $38 million out of the $45 million.

And this is only in the last few months.

REVIEW OF RATES AND EARNINGS

We have had constant review with the company. We have a series of meetings set up now for September 17 or 18, where all of the officials of the company are coming down.

It is not a hearing in the technical, legal sense, but they are going to be there in front of us. They will be cross-examined by our staff, and this is the sort of thing that we have been doing over the years that we think has been effective.

And in most cases, where we have found the rate of return bordering on the high side, we have been able to work out a compromise for savings to the consumer without going into one of these long protracted hearings, a full-blown hearing, for the Bell System, as it would literally use up a number of years.

And by the time you come to a decision you are passing on things that are completely outmoded, and we think this more informal procedure has worked quite well.

And the results, I think, speak for themselves in the rates.

ROLE OF GSA IN RATE MATTERS

Senator ALLOTT. Well, when GSA testified the other day I asked them specifically about their performance in watching out for the Government's interest in rate cases which would include this, although it was not applied specifically to your agency, and they seemed to feel that they had protected and had been able to protect the Government's interest very adequately in all of their rate hearings during the past year.

Is that your recollection of the testimony?

Senator MAGNUSON. Yes, and they got the same amount of money to keep up their activity at the same level as they had last year, in which they said they had a very good year as far as they were concerned in getting at these things and protecting the public interest.

Senator ALLOTT. So the problem in this area is not for a big explosion——

Mr. LEE. Right.

Senator ALLOTT. But, rather, for a continuing objective perusal and study along the same lines that have been done in the past?

Mr. LEE. This is our firm conviction. Yes, sir.

Mr. FORD. GSA appears before us as any other user.

Senator MAGNUSON. Are they diligent about it?

Mr. FORD. Oh, yes. They represent the interest of the Government as a user.

We are in the position of having to make a determination as to whether they are right or wrong in their contentions. I think perhaps the fact that they have been successful to a degree indicates the Commission listens to the arguments sympathetically and at the same time undertakes to make a determination between them and the various companies that they use on an equitable basis.

Mr. LEE. On the——

Senator MAGNUSON. You see, what happened, as I recall—this is off the record.

(Discussion off the record.)

Mr. LEE. Mr. Chairman——

REGULATION OF LONG-DISTANCE RATES

Senator MAGNUSON. What about long-distance rates?

Mr. FORD. This is all we regulate.

Senator MAGNUSON. I know; and, of course, the responsibility for the intrastate rates rests with the State public utility bodies.

Mr. FORD. Right.

Senator MAGNUSON. I do not know how they are in other States, but in my State they are pretty active in getting these fellows in every once in a while and asking about this and getting reductions.

Mr. FORD. Well, we review these matters almost on a monthly basis as to the rate of return and just what progress is being made. The companies file very voluminous reports with us.

Senator MAGNUSON. Now, the Bell System, I guess, generally speaking, has been doing more about interstate equipment and things, sometimes to the jeopardy or to the limitation of intrastate service, but that is up to the local area.

Mr. LEE. Yes.

Senator MAGNUSON. And up to the local people.

Mr. LEE. All we did in this last action was to cooperate the——

Senator MAGNUSON. I am speaking technologically, that they have been doing more.

Mr. LEE. Yes.

Mr. FORD. Well, the expenditure of funds for equipment and the expansion of the various affiliated Bell companies for intrastate expansion has been, it seems to me, keeping the pace as far as expenditures are concerned.

On the various supporting companies last year I saw a list of the loans that they had made in order to obtain funds for the expansion of their equipment.

LEVEL OF REGULATION

Mr. LEE. Mr. Chairman, in the earlier part of this year, I think in April, there was some question raised as to the level of the activity that the Commission has been engaged in in the regulation of the common carriers.

And Senator Pastore asked us for our comments, and we replied in some detail on May 2, 1962. It might be appropriate for that letter to go into the record.

Senator MAGNUSON. I think it ought to go into the record because this is a common issue up here on the floor, whether you fellows are doing your job or not in this particular field, and they pose some very searching questions in the matter.

But you have done——

Mr. LEE. This is in very great detail. We have been in a number of hearings. The people say we have never had a hearing.

We have had any number of hearings and any number of reductions. We have any number of proceedings going on right now.

We have a very excellent staff and almost daily contact with the carriers.

(The letter to Senator Pastore follows:)

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C., May 2, 1962.

HON. JOHN O. PASTORE,
Chairman, Subcommittee on Communications,
U.S. Senate, Washington, D.C.

DEAR SENATOR PASTORE: In the hearings which your Subcommittee on Communications has held on S. 2814, questions have been raised concerning the Commission's record in regulating the interstate and foreign rates and services of communications common carriers. It has been stated that the Commission has never held a formal hearing on the telephone rates of the Bell System, preferring rather to negotiate rate adjustments. It has also been alleged that the Commission has failed to regulate rates for oversea services. In general, it has been urged that the Commission's record in common carrier regulation does not justify placing additional regulatory responsibilities upon the Commission in the field of satellite communications. In this connection, reference has been made to certain statements in the Report on the Organization and Management Survey of the Federal Communications Commission, which was made for the Bureau of the Budget by Booz, Allen & Hamilton, a firm of management consultants, and was released on April 24, 1962.

Your committee has requested our comments on those aspects of the management survey which are pertinent. The purpose of this letter is to supply such comments and other data pertaining to the Commission's regulatory record which should be helpful to your committee in assessing that record.

Criticism has been made that the Commission does not have a large enough staff in the common carrier area. It is a fact that despite the tremendous

growth that has taken place in all aspects of the common carrier industry, we have today fewer employees available for common carrier regulation than we had in 1950. This situation results not from any internal policy of the Commission, nor from the Commission's failure to press for increased budget allotments, but rather from Government fiscal and other policies over which we, of course, have had no control. Because of the extraordinary demands placed upon the Commission and its staff by the requirements of the satellite communication program, it has been necessary during the past year or more to divert personnel from other essential Commission programs to meet those requirements. This is truly a situation of robbing a poor Peter to pay Paul—as Senator McGee has already observed.

Although the Commission has had insufficient resources to carry on an optimum program of regulation, the Commission has protected the public interest in just and reasonable rates and services. Indeed, as the report acknowledged, the Commission is not ineffective in its essential functions.

In the time available, it has not been possible to prepare a complete review of all major common carrier actions taken by the Commission in the past. We have, however, prepared a brief résumé of the principal actions, formal and informal, taken in the domestic and international telephone and telegraph ratemaking areas. A copy of this résumé is attached.

As will be evident from an examination of the attached résumé, the Commission over the years has conducted a number of formal investigations and hearings for the purpose of establishing proper rate levels and rate structures applicable to the telegraph services of our domestic and international telegraph carriers. Formal rather than informal proceedings in the telegraph field have been considered necessary by the Commission inasmuch as in this field, unlike the telephone field, we have been dealing, for the most part, with the carriers' efforts to increase rates in order to improve their revenues because of rising costs. Also, in the international telegraph field, service is furnished by several common carriers in competition with each other. The conflicting interests of the international carriers stemming from such competition complicate the ratemaking task and this generally necessitates extensive hearings to resolve the ratemaking issues in this field.

In the telephone field, on the other hand, the Commission has been able to employ informal regulatory procedures to a much greater extent. As you may know, the Commission has promulgated and administered over the years a system of accounts observed by all common carriers fully subject to the Communications Act; it also prescribes and revises depreciation rates applied by almost all such carriers and has established an extensive and comprehensive reporting system by which it is kept informed of essential developments and trends in the carriers' operations. We have maintained continuing studies of the extensive financial and operating data which the Bell System companies are required to file in monthly, annual, and special reports. In this manner, we are constantly in position to assess the reasonableness of the Bell System's overall earnings from its services subject to our jurisdiction.

Historically, A.T. & T. and the other Bell System companies have experienced continuous and substantial growth in the public's use of their services. This growth, together with improvements introduced in the art of telephony, have offset and, on occasion, have outstripped the rising costs of plant and operations generally. This long-range trend has tended to make possible reductions—rather than increases—in rates for interstate long-distance telephone services, which account for more than 85 percent of interstate revenues.

Whenever, in the judgment of the Commission, it has appeared that overall earnings were at a level to warrant rate reductions, the Commission has generally been successful in obtaining rate reductions that appeared warranted without conducting protracted and costly hearings. By this means, the benefits of the reductions are promptly made available to the public. Since 1935, there have been a large number of reductions, with only one general increase in long-distance telephone rates. The reductions have amounted to hundreds of millions of dollars in annual savings to the public. The most recent—amounting to some $50 million—became effective in September 1959. It is noteworthy that interstate long-distance telephone rates are 19 percent lower than they were in 1940. It is also noteworthy that all major interstate rate reductions were the result of action initiated by the Commission.

We think this record indicates that informality in procedure cannot be equated with ineffectiveness in achieving results. Nor are informal procedures neces-

sarily less effective than the more time-consuming formal procedures. On the contrary, as the Deputy Director of the Bureau of the Budget, Mr. Elmer B. Staats, stated in 1960, in testimony before the Subcommittee on Administrative Practice and Procedure of the Senate Committee on the Judiciary, agencies may use formal hearing processes in areas where "modern fact-gathering and data-processing techniques would provide better information more quickly and at less cost." Moreover, as he also noted:

"When decisions are delayed for months or years, industries are unable to make long-range plans, particularly in areas of technological growth. Delays and backlogs have meant denial of justice in some cases and economic losses in others.

"In our fast-moving technology, agency decisions ultimately may be made on considerations that are already outmoded."

This is not to say that the Commission is committed to a policy of always refraining from the use of formal proceedings in the regulation of interstate telephone service. The considerations which bear upon the choice between formal and informal proceedings are many and varied, and the only rule we have followed is to adopt the procedure which seems to us best calculated to protect the public interest in light of the circumstances presented at any particular time. For example, on several occasions where the use of our informal procedures was initially unsuccessful in bringing about the results which the Commission sought to achieve, the Commission instituted formal rate reduction proceedings through the issuance of show-cause orders. In each instance, this action led to a satisfactory resolution of the matter without the need to proceed with the hearings.

With respect to the rates for individual classes of service, the Commission is now engaged in concluding a comprehensive formal investigation of the rates for A.T. & T. for all of its various private line telephone and telegraph services. A final decision in this proceeding is pending at this time. In addition, the Commission now has in various stages of hearing the rates of A.T. & T. and the other Bell System companies for their TELPAK service, wide area telephone service, and wide area data service. These proceedings will enable the Commission to determine appropriate rate levels and structures for each of these special services.

With respect to A.T. & T.'s revenues from oversea services, until several years ago the revenues from these services amounted to a relatively few million dollars annually and constituted only a small fraction of A.T. & T.'s total service revenues. Considering more pressing regulatory problems confronting us, and our very limited staff and resources, special attention to the oversea rates did not appear to be warranted. However, in regulating the overall interstate rates and earnings of the Bell System, as previously described, the oversea operations of A.T. & T. were treated, in effect, as part of those operations.

By 1960, oversea telephone revenues of A.T. & T. had reached a level of more than $40 million annually. Several new high capacity transoceanic cables had been installed and others were in a planning stage. Also, satellites as a means of oversea communication appeared to be a real likelihood. Therefore, in June of 1961, we directed that A.T. & T. institute detailed studies to develop complete operating and earnings data with respect to its oversea operations for analysis by the Commission. The data furnished by these studies will enable the Commission to determine the reasonableness of A.T. & T.'s oversea rates and what further regulatory action may be required.

This committee is well aware of the various other activities of the Commission in the field of telephone regulation. For example, within the past year, action taken by the Commission brought about an annual reduction of more than $50 million in the prices charged by Western Electric Co., the manufacturing affiliate of the Bell System, for equipment sold to the operating companies of the system. Just recently, the Commission's efforts resulted in a change in the separation procedures used by the Bell System to allocate its investment and expenses between interstate and intrastate telephone services. These separation changes have the effect of relieving the intrastate services of the Bell System of about $46 million of annual revenue requirements and thereby make possible reductions in intrastate rates by this amount. Twenty-nine State regulatory commissions have already taken advantage of these benefits by effecting rate reductions amounting to an estimated $25 million annually.

To summarize the total picture, we think it fair to state that, while additional resources would enable us to improve our performance and afford a greater

degree of protection of the public interest, the Commission has, over the years, carried out its regulatory responsibilities, and can be relied upon to carry out those additional responsibilities that S. 2814, if enacted into law, will entrust to it.

The foregoing views were adopted by the Commission on May 2, 1962.

By direction of the Commission:

NEWTON N. MINOW, *Chairman.*

PRINCIPAL RATEMAKING ACTIONS, FORMAL AND INFORMAL, TAKEN BY THE COMMISSION SINCE ITS INCEPTION IN 1934

A. BELL SYSTEM

1. *Message toll telephone rates.*—Since 1934, there have been a substantial number of rate reductions. Practically all of the reductions resulted from action initiated by the Commission. Generally, the action was informal, involving discussion and negotiation. On three occasions, the Commission instituted formal investigations and hearings which were terminated by Bell agreeing to settle without going to hearing. (1941, docket No. 6053; 1943, docket No. 6468; 1951, docket No. 9889).

Attachment I, part 1, is a listing of the major long-distance telephone rate adjustments. It indicates the dollar value of the adjustment based on volume of business as of the date of the action. The list does not include the reductions which were made at various times prior to 1945 by the individual associated companies who maintained separate telephone rate schedules for interstate long-distance service within their respective territories. Since 1945, all interstate long-distance rates have been uniform throughout the Bell System.

It might also be noted that there has been only one major increase of $65 million which became effective after negotiation on October 1, 1953.

2. *Oversea telephone rates.*—An important change occurred on August 1, 1944, in rates for oversea telephone service. Prior to this date the through rate was made up of the ocean link rate and landline rates, if any, in the United States and in foreign countries. On August 1, 1944, through rates were established between zones in the United States and the foreign radio terminal based on distance. The United States is now divided into 17 zones, but only 1 zone is used for most countries because the distance is usually over 3,000 miles. The maximum rate for direct circuits is $12 weekdays and the maximum rate for indirect circuits is $15. In connection with oversea service it is interesting to note that it was first established on January 7, 1927, between New York and London at a rate of $75. Changes were made in the London rate as follows:

Mar. 4, 1928	$45.
May 11, 1930	$30.
June 1, 1935	$30 day; night, $21.
July 1, 1936	$21 day; night and Sunday, $15.
June 23, 1945	$12 (no night and Sunday).
June 1, 1946	$12 day; night, $9.
July 1, 1947	$12 day; night and Sunday, $9.

The July 1, 1947, rates are still in effect.

Attachment I, part 2, lists the principal revisions in oversea rates since 1935.

The Commission is currently engaged in a study of A.T. & T.'s oversea rates. Pursuant to our request, A.T. & T. has recently completed a detailed analysis of its costs and operating results associated with this service. The results of this study will be analyzed by the Commission and will thereby provide a basis for judging the reasonableness of the oversea rate structure and the need for further regulatory action.

3. *Private line rates.*—Attachment I, part 3, lists the major adjustments in Bell's rates for private line services, including program transmission. With the exception of the interim increases and reductions which were effected on an interim basis as part of docket No. 11645 (now in its final decisional stage), all adjustments were accomplished through negotiations and discussions and without formal hearings.

4. *Teletypewriter exchange (TWX).*—See attachment I, part 4, National Association of Railroad and Utilities Commissioners.

5. *Telephone separation procedures.*—These procedures have been developed jointly by the FCC and the (NARUC) and are used in the Bell System to allocate telephone investment and associated expenses between the intrastate and

interstate operations of the telephone companies. Such an allocation is necessary in order that the State and Federal ratemaking jurisdictions may determine the revenue requirements applicable to the services subject to each jurisdiction.

The rates for intrastate long-distance services are generally higher than interstate rates for equivalent distances. The State commissions contend that this results in large part from alleged inequities in the separation procedures causing an unduly high share of the joint costs being assigned to the intrastate telephone operations. Over the years, this matter has been in continuous study by the FCC jointly with the NARUC. Since 1951, three basic revisions have been made in the separation procedures each of which has transferred substantial amounts of investment and expenses from the intrastate operations to the interstate operations. These transfers, in turn, have reduced the revenue requirements applicable to intrastate operations and increased the revenue requirements applicable to interstate operations in like amount.

The estimated transfers effected by each separations revision may be summarized as follows:

	Investment	Expenses	Revenue requirements
Charleston plan (1952)	$80,000,000	$22,000,000	$30,000,000
Modified Phoenix plan (1955)	150,000,000	20,000,000	35,000,000
Current plan (1962)	69,000,000	38,000,000	46,000,000

On a current basis, these adjustments in separation procedures have relieved the States of more than $150 million of annual revenue requirements thereby tending to mitigate the disparities between intrastate and interstate rates. For example, as a consequence of the 1962 change which became effective April 1, many State commissions have already acted to take advantage of reduced revenue requirements by reducing intrastate toll rates.

6. *Western Electric prices and profits.*—Western Electric is the manufacturing and supply unit of the Bell System. Its prices and profits with respect to its sales to the telephone operating companies have a direct impact on the rates and revenue requirements of the latter companies.

No regulatory commission has direct control or supervision of Western's prices and profits. However, as part of telephone rate regulation those prices and profits are subject to examination as to their justification and reasonableness.

Since 1948, the Commission together with the NARUC has conducted periodic reviews of Western's operations, and monthly and annual reports are issued to all regulatory commissions summarizing essential operating data.

Attachment I, part 5, tabulates Western's sales and return on investment for the period since 1951, broken down by total sales and sales to Bell System customers. It also lists several major price reductions which were the result of informal action taken by the Commission, the most recent reduction is to become effective on May 1, and amounts to $32 million annually.

B. WESTERN UNION (DOMESTIC)

Attachment II lists the principal formal and informal rate proceedings involving Western Union's domestic services since World War II. In general, because of declining demand for message service and increasing costs, Western Union rates for its message services have steadily increased. Several of the major increases were effected after formal hearing; others were effected informally but the precedents and standards which evolved in the formal proceedings were used as effective guidelines.

With respect to private line rates of Western Union, since its private line services are generally competitive with private line services of the Bell System, it has maintained comparable rates. Generally, Western Union has not initiated private line rate adjustments, but rather has duplicated whatever rate changes have been made by the Bell System because of competitive considerations.

C. INTERNATIONAL TELEGRAPH RATES

International telegraph service is furnished on a competitive basis. This has complicated the rate-making process and has required many extensive rate hearings over the years in order to fix rates which will be fair to the carriers and at the same time afford the public the economic benefits of competition.

Attachment III lists the principal international rate cases decided by the Commission. It does not include a number of other proceedings which involve such related matters as division of revenues, complaints arising under the formula for distribution of international traffic, etc.

D. PENDING RATE PROCEEDINGS

See attachment IV.

ATTACHMENT I

PART 1. MAJOR MESSAGE TOLL RATE CHANGES SINCE 1934

June 1, 1935—Reduction: Station-to-station: Evening period reduced rates eliminated; night rate period advanced to 7 p.m. to include the evening period. Savings, $480,000.

January 15, 1936—Reduction:

Station-to-station: Night rates extended to all day Sunday.

Person-to-person: Reduced night rates introduced and extended to all day Sunday. Savings, $1,700,000.

September 1, 1936—Reduction:

Rates reduced for distances over 234 miles.

Station-to-station overtime rates applied to overtime in excess of 3 minutes on person-to-person messages. Savings, $6 million.

January 15, 1937—Reduction: Rates reduced for distances over 42 miles. Savings, $12,180,000.

May 1, 1940—Reduction: Rates reduced for distances over 420 miles. Savings, $5,300,000.

July 10, 1941—Reduction: Rates reduced for distances between 144 and 1,530 miles within the United States and over 110 miles between the United States and Canada. Station-to-station overtime rates made applicable to all overtime on person-to-person calls. Report charges eliminated.

Savings:

Schedule I	$11,985,000
Schedule II (Canada)	380,000
Total	12,365,000

February 15, 1943—Reduction: Overtime rates reduced from one-third to one-fourth of initial period rate, within the United States. Savings, $21,300,000.

March 15, 1943—Reduction: Overtime rates reduced from one-third to one-fourth of initial period rate United States-Canada. Savings, $360,000.

March 1, 1944—Reduction: Night rate period advanced to 6 p.m.

Savings:

Schedule I	$5,000,000
Schedule II	150,000
Total	5,150,000

July 1, 1945—Reduction: Rates reduced for distances over 790 miles within the United States and over 810 miles between the United States and Canada.

Savings:

Schedule I	$20,660,000
Schedule II	175,000
Total	20,835,000

February 1, 1946—Reduction: Rates reduced for most distances between 340 and 2,140 miles within the United States and between 330 and 2,510 miles between the United States and Canada.

Savings:

Schedule 1 (within United States)	$15,300,000
Schedule II (United States-Canada)	175,000
Total	15,475,000

March 1, 1952—Rates increased for most distances up to 150 miles for station-to-station traffic and to 600 miles for person-to-person traffic. Annual value $1 million. Rates reduced for most hauls between 600 and 2,300 miles for both

station and person. Short-haul station initial period changed from 5 to 4 minutes. Overall effect was an increase of $14,435,000 for Long Lines and associated companies.

October 1, 1953—Increase: Overtime rates were increased 5 cents for most distances over 24 miles, and night and Sunday initial period rates were increased 5 or 10 cents for most distances between 41 and 2,300 miles. The annual overall effect for Long Lines and associated companies was an increase of $65,700,000 (Long Lines alone $54,810,000).

September 19, 1959—Reduction: Rates were reduced between 676 and 3,000 miles within the United States in the amount of $47 million.

As part of the overall rate change the system of measuring distances was changed from the so-called block and section systems to the VH coordinate (vertical-horizontal) system, a more accurate one. This change resulted in a reduction of $6 million. In addition, schedule II between the United States and Canada was increased in the amount of $3 million. These latter two changes occurred on February 7, 1960.

PART 2. MAJOR OVERSEA MESSAGE TOLL RATE CHANGES SINCE 1934

June 1, 1935—Reduction: Night rates established to London and countries served through London; savings, $50,000.

July 1, 1936—Reduction: Weekday rates reduced to nearly all countries except Asia and Sunday rates established; savings, $420,000.

November 1, 1939—Reduction: Reductions in rates to certain countries; savings, $120,000.

August 1, 1940—Reduction: Certain land zone rates in United States reduced; also ocean link rates to Japan; savings, $54,000.

Year 1944—Reduction: Basic pattern of rates revised to 18 countries; savings, $260,000.

Year 1945—Reduction: New pattern of through rates extended to 12 countries; savings, $910,000.

Year 1946—Reduction: New pattern of oversea rates extended to 12 countries or areas; savings, $1,600,000.

Year 1947—Reduction: New pattern of oversea rates extended to 17 countries or areas; savings, $835,000.

PART 3. MAJOR PRIVATE LINE RATE CHANGES SINCE 1934

November 1, 1936—Reduction: Program transmission-interchange mileage measurement changed from circuit to airline; savings, $320,000.

September 16, 1930—Reduction: All private line telephone (full period) and teletypwriter mileage measuremeents changed from railroad to airline, and miscellaneous other changes; savings, $1,060,000.

July 10, 1941—Reduction: Program transmission, station connection charges reduced; savings, $250,000.

August 16, 1941—Reduction: Private line teletypewriter, miscellaneous rate changes; savings, $390,000.

February 1, 1943—Reduction: Rates revised for private line teletypewriter, telephone, and program; savings, $10,072,000.

February 1, 1946—Reduction: Interexchange channel rates reduced for private line telephone, teletypewriter, and telephotograph; savings, $1,649,000.

August 24, 1958—Reduction (interim): General revisions in rates for private line telephone service in compliance with the Commission's order in docket No. 11645; savings, $5,700,000.

December 1, 1958—Increase (interim): General revision in rates for private line teletypewriter service in compliance with the Commission's order in docket No. 11645; increases, $8,400,000.

PART 4. MAJOR TELETYPEWRITER EXCHANGE RATE CHANGES SINCE 1934

March 1, 1944—Reduction: Overtime rates reduced; savings, $2,300,000.

February 1, 1946—Reduction: Reductions for distances over 350 miles; savings, $960,000.

July 1953—Increases in rates for most distances up to 2,300 miles; increases, $7,260,000.

Western Electric Co., Inc.—Sales and percent return on net investment, years 1951–61

[Dollars in thousands]

Year	Total company		Bell customers	
	Sales	Percent return on net investment	Sales	Percent return on net investment
(a)	(b)	(c)	(d)	(e)
1951	$950,291	12.8	$805,359	13.6
1952	1,270,247	12.1	935,541	11.2
1953	1,460,487	9.9	1,012,826	7.8
1954	1,486,302	7.6	1,019,279	6.1
1955	1,822,617	9.6	1,230,915	8.3
1956	2,319,417	10.4	1,648,875	8.9
1957	2,447,755	10.2	1,821,198	8.9
1958	2,142,929	9.4	1,527,912	9.0
1959	2,278,742	10.4	1,573,190	8.6
1960	2,597,415	10.9	1,850,218	10.2
1961	2,563,139	10.0	1,916,805	[1] 9.5

[1] Estimate: actual data not available.

Western Electric price reductions to Bell companies pursuant to FCC action

Year	Estimated annual effect	Effective date
1962	$32,000,000	May 1, 1962
1961	26,000,000	July 1, 1961
1952	45,000,000	Apr. 1, 1952
	70,000,000	Aug. 1, 1952

ATTACHMENT II

Major domestic telegraph rate proceedings (formal and informal) post-World War II, as of Mar. 13, 1962

Year		Type of proceeding
1946	Western Union: General increase and modifications in domestic telegraph service rates (4 decisions).	Formal, docket 7445.
1950	Implementation of AZ rate schedule, uniform charges for like distances.	Informal.
1951	Increased rates for message and miscellaneous services.	Formal, docket 9080.
1952	Increased domestic message and money order rates and rates for miscellaneous services.	Informal.
1952	Western Union and the international carriers: Increase in the charges for the landline haul of marine messages.	Formal, docket 9915.
1954	Western Union: Increases in domestic message and money order rates and rates for miscellaneous services.	Informal.
1954	New and increased charges for tickers in leased facilities service.	Formal, docket 10274.
1956	Inceases in domestic message and money order rates and rates for miscellaneous services.	Informal.
1958	Western Union and the international carriers: Increase in charges for landline haul of international traffic.	Formal, docket 11953.
1958	Western Union: Increases in domestic message and money order rates and rates for miscellaneous services.	Informal.
1960	Western Union: Commodity News Services, Inc.; board of trade of the city of Chicago: Complaint re overcharges for local loops.	Formal, dockets 12710 and 12748.
1960	Western Union: Increases in domestic message and money order rates and rates for miscellaneous services.	Informal.
1961	Formula for the distribution of telegraph traffic destined to points in Canada.	Formal, docket 13187.
1956–62	Private line rates: Pending decision	Formal, dockets 11645, 11646, 12194.

ATTACHMENT III

Principal formal proceedings on international telegraph rates

Docket No.	Date of final action	Title	Citation
2636	1941	Double urgent	8 FCC 502.
6046	1943	S.A. rate case	11 FCC 365.
6775	1946	Increase rates for message to Morocco	11 FCC 1446.
6776	1945	RCAC, WU: Increase rates on messages to France	11 FCC 1439.
6778	1946	Increase rates for messages to Samoa and Fiji Islands	11 FCC 1446.
6784	1945	PW (China): Increase press rates for messages to China	11 FCC 1440.
7492	1946	Free delivery of inbound telegrams in the United States	11 FCC 1445.
8230	1947	Rates for oversea message service	12 FCC 29.
	1948		12 FCC 926.
	1949		13 FCC 459.
	1950		14 FCC 523.
	1950	MAP rates for multiple address press	14 FCC 1409.
8925	1948	RMCA rates of ship telephone service	13 FCC 1273.
9094	1949	Unification of full rate and code, and elimination of deferred class	13 FCC 562.
11953	1958	Rates for oversea message services	25 FCC 532.
12539-40	1961	PW: Rates and service regulations for Telecon service	30 FCC 19.
9015	1952	Marine message rates	52-35.
9375	1949	RCAC: Charges for scheduled press transmission and reception service.	49-1244.

ATTACHMENT IV

Pending proceedings

Docket No.	Subject	Status
11645	A.T. & T. private line rates	Oral argument.
11646	WU private line rates	Do.
12194	Sage data case (A.T. & T.)	Initial decision.
13514	Common user group (A.T. & T.)	Do.
13194	WATS (A.T. & T.)	Do.
14154	WADS (A.T. & T.)	In hearing.
14251	TELPAK (A.T. & T.)	Do.
13780	BMEWS COPAN (A.T. & T.)	Do.

WORKING ARRANGEMENTS WITH FTC

Senator MAGNUSON. Could I ask just one more question and then I will quit?

The Federal Trade Commission was in yesterday and we asked about the state of the liaison between FCC and them on their responsibilities and they testified that you have a very good working agreement.

Would you agree with that?

Mr. LEE. Yes. We set this up some 3 or 4 years ago and, as far as I know, it has been working quite well.

We are in almost daily touch with them.

SPOT ADVERTISING

Senator MAGNUSON. What is the status of the proceeding on the limitation of one-shot advertising?

Mr. LEE. One-shot advertising——

Senator MAGNUSON. Well, I mean the number.

Mr. LEE. The number of spots in an hour?

Senator MAGNUSON. Yes.

Mr. LEE. I am glad you asked that question.

Senator MAGNUSON. Are you glad I asked that question?

Mr. LEE. Yes.

Senator ALLOTT. Before you answer that I want to say that I was watching TV the other night——

Senator MAGNUSON. I guess we can put this off the record.

Senator ALLOTT. No; I think this ought to be on the record.

And in the course of the change of programs, I counted seven different products, some of them by the same company——

Mr. LEE. I think we are going to have some equal time here any minute.

Senator ALLOTT. Seven different products that were advertised in the short period of time. I did not have a stopwatch to see actually how long it was.

Senator MAGNUSON. Well, they call them—what do you call them?

Mr. FORD. Spot announcements.

Senator MAGNUSON. Spot announcements.

Mr. LEE. Let me say, Mr. Chairman, and I am very eager to say something on this, this is a question of strong differences of opinion.

Perhaps you can influence my colleague here.

ADOPTION OF NAB CODE AS FCC RULE

We have, on the Commission agenda at my request, and I am seeking four votes that we put the NAB Code, that is, the National Association of Broadcasters Code, with respect to commercial time only—I am not talking about taste in programing—but the number of commercials and the number of commercial time within a segment, that we adopt the code that the industry set up as a rule.

Now, there are a lot of arguments against you, but I am proposing that, and I would like you to influence Commissioner Ford for me a little bit.

Senator MAGNUSON. Well, we do not want to influence anybody but——

EFFECT OF CODE ON SOME STATIONS

Mr. FORD. Well, maybe you ought to understand a little bit of the difficulties here since it has been brought up.

I went out to the State of Washington to make a talk to the Advertising Association of the West, and also to the Washington State Broadcasters and a broadcaster came up to me and he said, "I would just love to abide by the code because I was trying to get the advertising association to follow very closely the time segments set up in the code of the National Association of Broadcasters, but"—he said, "look, I have got a small community and people come into my town on Friday and Saturday."

And he said, "I just cannot abide by the code on Friday and Saturday because that is the only time that I make any money."

And he said, "During the rest of the week I do not sell any advertising at all," and he said, "In order for my station to exist and for me to make a living, which is very modest, I cannot abide by the code."

He said, "I would like to, but this is the only way I can keep the station on the air."

So here you have a question of whether the Commission should adopt rules that are going to force this man to either violate our rules or

give up his radio station and take it away from the people in the community, and I just do not think that is right.

Senator MAGNUSON. Well, you could take his total for a week.

Mr. FORD. Well, I will do it a little differently.

Senator MAGNUSON. You do not have to limit it for a day. Take his total for a day.

Mr. FORD. Well, you get this question of daytime stations in the northern region of the country, which is a rather short period of daytime, and they have a long day, in the summer and they get the question of peak employment in the summer, and they have to lay off people in the winter.

And you get into complications there of how they are going to continue to exist economically.

So I think the problem is not quite as simple as it might appear.

PROGRAM REPORT FORM

Now, we are in process now, of revamping our program report form, and it is in the question with that that I think this issue is being raised, and I think Commissioner Lee and I would be able to adjust our differences.

I am hopeful that I can give a little and he can give a little, and we can come out with something that is just for the radio industry.

Senator MAGNUSON. You are talking about radio stations?

Mr. FORD. Yes; radio stations.

Senator MAGNUSON. And there is a little difference on television?

Mr. FORD. Oh, yes; quite a difference.

Senator MAGNUSON. And the impact is different?

NUMBER OF COMMERCIALS

Mr. FORD. Oh, yes; quite a difference. When you start talking about news you get a question of, say, 3 minutes of advertising time in a 15-minute period.

This is what "Amos and Andy" had in the great days and this is one of the stumbling blocks that I ran into, and everybody thought it was just great that part of the time was given over to program continuity.

Now, if you are going to have a minute of advertising between programs it really does not make too much difference to the listener, I would not think.

It is a matter of business judgment on the part of the broadcaster, whether he is one or seven advertisers.

Senator ALLOTT. I want to make it clear that I agree with this. I just happened to count the seven products.

I do not know, but what is the time between these two programs?

Mr. FORD. It will vary.

Mr. LEE. It will vary by the time of day.

Senator ALLOTT. In the evening?

Mr. LEE. Generally speaking, in the evening, in prime time, it will be about 3 or 4 minutes out of 15.

Mr. NORDBERG. Not more than 18 minutes out of an hour.

Mr. LEE. Not more than 18 minutes out of an hour.

Senator ALLOTT. I want to say that I agree with Commissioner Ford. On this particular item whatever the time allowed is I think it is up to the man who purchases the time.

If he wants to flash a half dozen products of hair shampoo and toothbrushes——

Mr. LEE. As long as he stays within the limit.

Senator ALLOTT. As long as he stays within the time limit, if he thinks he can get a good exposure by a 10-second exposure of a deodorant or something like that, I think this is up to the advertiser, but the question is, How long and how many?

Mr. FORD. Well, I am not saying there is not substantial merit in Commissioner Lee's position, and I think that perhaps somewhere or other, if we think about it and work hard enough, we will be able to come up with something that will be satisfactory to the public.

Senator YOUNG. I have a question.

Senator ALLOTT. Yes?

HIGHER RATES FOR POLITICAL BROADCASTS

Senator YOUNG. Suppose there is someone who had one political spot and they carry a rate several times higher——

Mr. FORD. No, sir; it is against the law for them to.

Mr. LEE. No; we fixed that. It is in the act that you may charge no more for political time than any other.

Senator MAGNUSON. The same rates to everybody?

Mr. FORD. Yes, sir.

Mr. LEE. They used to clip you a little bit.

Senator ALLOTT. My recollection was that in 1960 I was paying a nice rate.

Are we through with this question?

I have another question I would like to ask the gentlemen.

Senator YOUNG. Yes.

Senator MAGNUSON. Go right ahead.

COMMISSION'S POLICIES IN GRANTING BROADCASTING LICENSES

Senator ALLOTT. I would like to ask the question: What are the general policies that govern the Board's granting of a license of either a TV, although I am thinking primarily of radio stations, in an area?

And I will tell you what precipitates this question. In two or three places in my own State licenses have been granted in the last year or two and so that I will not have my own constituents on my neck I will not say where at the moment, where it seems to me, and station owners have demonstrated to me by their books and otherwise, that the situation was already overloaded.

Now, how do you determine what new stations shall go in?

In our State, as you realize, we do have some fairly good TV, and this is applicable to the chairman's State, where we have mountains, and you will have restricted areas of TV, but we still have to depend on radio a great deal in many areas of the West.

You have a number of stations in a given area and then more and more keep coming in until, frankly, you can hardly separate them on the radio dial.

Mr. LEE. Surely, Well, Mr. Chairman, in general I could answer that and then I think we should ask our Broadcast Bureau to amplify it.

Within the past, I would say, 2 or 3 years the Commission as a whole began to express some concern at what we called this overpopulation in AM radio.

AM FREEZE

And we had any number of discussions and we finally adopted, and I know our boys cringe at the use of the word "freeze," but I suppose that that is what it is.

We, in effect, have an AM freeze where there will be no additional grants but we did not, however, freeze those that were in the processing line, so that we are still granting AM stations where they were on file prior to the time that we said we will grant no more pending a complete study of what the entire problem entails.

Fred, would you want to say something on that?

Mr. FORD. Yes, sir. I made quite a study of this and wrote a paper on it. The question involved here, it seems to me, was that we had a problem with programing and the Commission, after a lengthy study, had developed a program policy statement in July of 1960.

We liked it. The industry liked it, and it seemed to keep us out of censorship and, at the same time, set up a climate for improved programing both in radio and television.

At the same time, in radio, we were granting stations just right and left. Now, this has a historical background.

GROWTH OF AM SERVICE

Along about 1947 or 1948 there were, oh, 900 or 1,200 stations on the air, and at that time the Commission amended its AM technical rules, and they changed the rule involving the RSS, and reduced that from 70 percent to 50 percent. This enabled more stations to be put on the air, and it just snowballed. Now we have around 3,700 stations on the air.

STATIONS LOSING MONEY

So that last October it seemed to me that we were getting into a very bad situation. A third of the radio stations in the country reported to us that they were losing money, so that this freewheeling grant policy that we had been following was not successful.

The theory of it was that it is a free enterprise industry and we will grant it if we can possibly grant it, and then let the poor stations die. In other words, that was our system, but that was not working, because it seems that the station, as one person put it, is the only business that you know of that you can sell for 10 times your annual loss and the stations kept being sold.

So it became quite a problem.

Now, the question is as to how to handle it. The Commission at the present time, and Commissioner Lee brought up the matter of a partial freeze which he brought to the Commission's attention and which we adopted—there are two or three ways that we could attack it.

One is to set stations for hearing on economic impact. When you get into an economic impact hearing it seems, at least to me, that you are getting into a question that will be as complicated and as long as the antitrust proceedings, and the people in this business, in the small stations, just did not have that kind of money.

The second thing would be a study of the Commission's technical rules. I had thought at the time that I found this change that opened the floodgates that we would just change that back again, but the engineers told me it was not just quite that simple.

REVISION OF AM RULES

So now, the Broadcast Bureau is working on changing our AM rules so that technically a station will have a larger area to serve and, consequently, improve its economic situation and, at the same time, we are not intending to take stations off the air that are presently on the air.

They would be grandfathered in. But under the new rules a second station or a third station in a community that has 8 or 10 stations could not come in and pick up a frequency that would encourage probably the reduction in the number of stations and thereby improve their economic help and permit them to follow the Commission's program policies.

Now we think that this program would enhance the programing that people receive and will be in the public interest.

So then the third thing that is under consideration is changing our processing rules.

At the present time each application is given a number as it comes in and we handle them in precisely the order, except for some unusual situations, in which the applications are filed.

But with our limited staff, it seemed a little peculiar for us to be spending time on a 25th station in New York when a small community in the Southwest somewhere did not have any radio station.

So we are considering the possibility of altering those rules in order to give our first priority of attention to areas that are underserved rather than this blind adherence to this numerical system.

So we think that, in answer to the question how these are granted, we will grant any station for an application which is legally financially, technically, and otherwise qualified.

Those are the provisions in the statute, providing he does not cause interference and an excessive amount of interference to a competing station.

Senator ALLOTT. What do you mean by "interference"? Economic interference?

Mr. FORD. No, no; technical interference. For instance, you have a circle like this and an overlapping circle, and this would be the area of interference.

So if a new station coming on the air causes too much interference, and we have one rule, if he receives more than 10 percent of interference to his normally protected contour, we would not grant him.

This has not been too workable, but it is a protection.

For instance, we will say we will give him a hearing if he only cuts off just a little bit. It is better that maybe 44,000 people have a new service than an area have maybe 12,000 people lose the service or have a substituted service, because the changes with respect to whether it is on the same channel or on an adjacent channel are important.

On one you get a substituted service and on one you get no service.

QUESTION OF TOO MANY STATIONS

Senator ALLOTT. I realize the question is very complicated but here you are in an area where you are licensing people on a 3-year basis?

Mr. LEE. Yes.

Senator ALLOTT. And the man has a certain investment in his station and his equipment. If you overpopulate a given area, this is the part that concerns me. Let's say that there are five stations in an area and with five stations in an ordinary community you would have to admit that you were getting pretty good coverage. I am thinking of the average size Colorado community.

Then suppose you put in a sixth station.

Now, there is only one thing that this fellow can do. He has to operate marginally. His newscasts are rehashes of the morning paper or of last night's paper, and he pulls out a bunch of old records for music. He is not in a position to render any realistic community service because it is a one-man operation or a two-man operation, at best. There really is not any concept of community service here.

So what does he do? He has one choice and that is to cut his rates down one way or another, either above or below, and this, in turn, then depletes the economic stability of the other stations. This is the basic problem which has caused me to ask this question.

Mr. FORD. Well, I just want to make it clear to you that the Commission is vitally concerned with this problem, and we are moving with it just as fast as we can move in order to try to find a solution of this very thing, because we think it is one of the most important problems that we have.

Senator MAGNUSON. You see, our committee and the House committee, too, always suggested to the Commission that they grant more licenses or get a spread, as we call it, so what we meant by the "spread" was to get it into all communities as you point out that do not have it.

Well, the result has been that they have granted all licenses and there has got to be some kind of concentration.

OUTLETS IN SEATTLE AREA

Now, in the Seattle area there are 38 outlets.

Mr. FORD. I understand there are 92 in southern California radio stations.

Senator MAGNUSON. There are 38 in Seattle. That is a little peculiar because of your outlets across the water and——

Mr. LEE. Surely.

Senator MAGNUSON (continuing). But this is a pretty difficult thing for some of these people to survive on.

Mr. LEE. A very specific example——

Senator MAGNUSON. Whereas about 8 or 10 of those should have gone to a small community that did not have anything. There is the thing.

So we got into that, as you point out, situation, and I am glad to hear that you are taking a look at it.

Mr. FORD. Yes, sir.

Senator MAGNUSON. Because we are just about, I would think, 4,000 or 4,500 or that has just about reached the saturation point in the United States.

Mr. FORD. Well, we may have too many now.

Senator MAGNUSON. Well, it would be pretty hard to shift these things.

Mr. FORD. Well, I do not like to be in a position of putting a ceiling on anything——

Senator MAGNUSON. Well, you can take 3,700, and if that were spread right you would just about have what we call full coverage——

Mr. FORD. Well now, the Congress, in setting up this statute, has made provision for the granting of these stations, just as you indicated, under 307(b).

For instance, if there are 12 stations in one community and an adjoining community does not have a station, he can apply to take one of the stations away and bring it to his town.

This is the method of redistribution that Congress provided originally in 307(b).

Senator MAGNUSON. And they do better or furnish service to the other place that way.

Now, what will the all-channel sets do to this situation?

EFFECT OF ALL-CHANNEL RECEIVER LEGISLATION

Mr. FORD. Well, the all-channel sets will only be in television, and I cannot see that they would have any special impact.

Senator MAGNUSON. They would not have any special impact, the fact that you could get the ultrahigh?

They would not add to it? Has there been any increase in new applications since the initiation——

Mr. FORD. Well, we have one town in which there is a hearing going on with competing applicants for it.

Mr. LEE. We have had a great deal of interest from the educators——

Senator MAGNUSON. Well, leaving the educators out, it will be a revival of applications in the band——

Mr. BARR. We have not had any.

Mr. LEE. There is an awful lot of interest in conversation and people coming to see you asking what is the future of it, what is going to happen.

Senator MAGNUSON. What is the status of that?

We have signed that, have we not?

Mr. LEE. Yes, it has been signed by the President. Commissioner Ford has the pen that the President signed it with.

Senator MAGNUSON. Now, let me get down to my personal pet:

EDUCATIONAL TV

What about the applications in the educational TV? Are they growing?

Mr. LEE. There is a tremendous——

Senator MAGNUSON. Are we moving?

Mr. LEE. Really, you would be quite pleased. Hardly a day passes that they are not in to see us.

I have been on two or three seminars, in Boston, for example, where they have a fine educational V station.

There is a group up there getting together for a U.

I think that within the next 12 months or so you will see, oh, I do not know, 40 or 50 educational applications.

Senator MAGNUSON. That will bring us up to about 110 or 20, will it not?

What did we set aside?

Mr. LEE. 242.

Senator MAGNUSON. 242, and this will bring us up to——

Mr. LEE. Well, this was an allocation, and the 242 are still sitting there, of which there are probably 50-some-odd in the area—I will correct that figure, but it is close.

Senator MAGNUSON. Yes, put it in the record.

Senator ALLOTT. Could we have that for the last 2 or 3 years?

Mr. LEE. OK. Yes.

FINANCIAL INJURY TO BROADCASTING STATION

Senator ELLENDER. Mr. Chairman, may I ask a question?

Senator ALLOTT. Of course.

Senator ELLENDER. Mr. Lee, you mentioned a moment ago what your agency looks at before you grant permission to put up a station.

What weight, if any, do you give to complaints that if an application is approved existing facilities might or will be hurt financially?

Mr. FORD. There are a series of cases on this. I think the most important case is the *Sandor* case in which the Supreme Court—various people interpret this case in various ways—but, as I read it, if we are to grant a station which has an economic impact on another station then we are obliged to consider that.

Now, it gives them standing——

Senator ELLENDER. Is that by virtue of the decision——

Mr. FORD. Of the Supreme Court.

Senator ELLENDER. Of the Supreme Court?

Mr. FORD. Now, there are many arguments that the—about what the language of this case means.

The Supreme Court says that if it is a free enterprise business and, of course, you to have to stand the competition, and this competition is only important when the results of it are going to be destructive.

Senator ELLENDER. You mean, to the existing station?

Mr. FORD. No, either one or both facilities.

When the public would be deprived of the services is what I mean. The Supreme Court did not intend to limit competition, as I understand it, but what they did intend to say was that if by granting a second station both stations would knock each other out, in other words, then it would not be in the public interest to grant the second station.

And, therefore, they have standing to be considered.

Now, the Commission——

Senator ELLENDER. Well, what showing, if any, must be made by an applicant that a station he intends to apply for will pay out?

They do not do it for their health, I am sure. Most of them go in there to ask permission to put up a station that will pay them for their trouble or their investment and so forth.

There are no requirements that you—

STATUTORY REQUIREMENT

Mr. FORD. Yes; a station comes in and one of the statutory requirements is that he has to show that he is financially qualified to build and operate the station.

Senator ELLENDER. He must actually have the money?

Mr. FORD. That is right. Or a means of financing it.

So he makes a showing that "this is my estimated cost," this is the estimated amount of money that I have or financial statements. And so they match. And then the question is that obviously if that is all the money ha has he has got to show that he has an additional sum in which to operate the station during the first months that the station is in operation.

Now, the rule that we use at the present time is for a reasonable period and, in one instance, a reasonable period may be greater than another.

Now, he estimates what the gross income of the station will be for the first year, for example, and we have a hearing going on now, and one of the issues in that is to determine the accuracy of his estimate because it is a small community and, on the face of it, it looks like it is an unreasonable estimate, but on the other hand, it may not be.

This is one of the issues in the hearing.

Senator ELLENDER. Do you need more authority in that field?

Mr. FORD. Well, this is one of the problems that we are studying and studying very closely.

Senator ELLENDER. But you would have to have legislation on it, would you not?

Senator MAGNUSON. No.

Mr. FORD. No; I think we could do this.

Senator MAGNUSON. You have authority to do it.

ECONOMIC IMPACT

Mr. FORD. And, as I was giving you the history of the economic impact, the Supreme Court was the first one. We have had two or three since then.

In one case the Commission said that we have no authority, about 7 or 8 years ago, and a year later the court of appeals reversed it and said, "Oh, yes, you do."

So I think the law is that the Commission does have the authority to consider this subject matter.

The wisdom of it is another thing. If two stations get into an economic hearing, for instance, suppose they are in New York and the fellow says that you can see the difficulties of showing that another station could not exist in New York.

On the other hand, in a crossroads community, in which there may not be very many businesses, it is much simpler to get the total product, the income of the community, the number of stores, what their gross is, and that sort of thing. It would not be nearly as difficult.

But at the same time these would be lengthy hearings, and if there is a different and better way for the Commission to consider this it would seem to me wise to do it another way rather than to get into a long economic impact hearing.

Senator MAGNUSON. Suppose a fellow comes in and he says, "I know that I cannot show economically that this looks feasible in this community but I have an unlimited amount of money, and I am willing to personally take a chance.

"I can run a better station than the other characters are running and I am willing to take a chance, and I hope to become the dominant station."

Mr. FORD. This happened in the motion picture industry in which a man would put up a theater and he lost $10,000 a month, and when I was trying this *Paramount-ABC Merger* case, they asked him on the stand, "Why are you doing this?"

And he said, "I have oil wells pumping oil all over Texas and I am not going to let the company run me out of business."

So this kind of thing can happen.

HYPOTHETICAL PROBLEM

Senator MAGNUSON. Suppose this is a two-station market and he says, "I want to put the third in because I do not think they are doing the job and I have plenty of money to try it out."

He thinks he can do a better job. Then you have a real difficult problem?

Mr. FORD. Well, I would have to analyze that a little bit.

Senator MAGNUSON. You might be protecting a bad operation if you do not listen to his plea?

Mr. LEE. We have a specific case, Fred, in this Riverton, Wyo., community, with a population of maybe 20,000 people, and 1 existing situation.

Two other fellows applied for a station. There is no engineering conflict.

The existing station maintains that there is only enough revenue to support one station and here is the possibility of three, and we have a problem.

Some of us worry about getting into the economic grounds and perhaps that one station is not doing a good job.

It is not easy to handle——

Mr. FORD. Well, I would have——

Senator MAGNUSON. But if the applicant knows he is taking a chance——

Mr. LEE. Let the buyer beware.

Senator MAGNUSON. Taking what we call a calculated risk, maybe you have to take a look at it?

Mr. FORD. I think the hypothetical question that you asked, of two existing stations and a third applicant, that, technically and feasibly, could be located in that community except for the economic question that the Commission in all probability would have to grant it because under the doctrine in the *Sandor* case, if he has all this money and wants to spend it for that purpose, then the public would not suffer.

Senator MAGNUSON. No.

Mr. FORD. So it would be survival of the fittest, which is our economic system.

Senator MAGNUSON. I have just one question and then I have to go:

STATUS OF UHF STATION

What is the status of the New York station now, the educational station?

Mr. LEE. Our authority expires the end of December—December 31—of this year and we will conclude our testing on October 31 of this year, and I am informed that on August 14, which was yesterday, the City Planning Commission of New York is expected to approve an amendment to the city's budget for 1962 to provide $450,000 for the takeover of the station.

On August 23 the board of estimates of the city will meet to consider the appropriation of such moneys as are required to put the RCA transmitter presently in use and to execute the requisite lease with the Empire State Building for the takeover of the premises now occupied by us.

In the meantime the city officials are carrying on the necessary negotiations with RCA and Empire State, and are about to file an application for the modification of the construction permit.

I would like to take this opportunity to point out that in this particular appropriation I think the wisdom of Congress was very justified.

As you will recall, we asked for $2,700,000 and a 2-year authorization.

The Congress appropriated $2 million. Under that sort of a restriction we reexamined the whole thing, and I am very happy to say that we are successfully completing the project at an approximate cost of $1,800,000, and we are turning back or will turn back, at the end of this year——

Senator MAGNUSON. Now, has it shown some good results?

Mr. LEE. Yes; I have a rather brief report on it.

Senator MAGNUSON. We will put that in the record so we will know it.

Mr. LEE. Thank you very much.

(The report referred to follows:)

REPORT ON NEW YORK CITY UHF EXPERIMENT BY COMMISSIONER ROBERT E. LEE

You will, no doubt, be interested in the progress of our experimental UHF television station in New York City, for which funds were approved by your committee in 1960. The station operates with the call sign WUHF on channel 31.

After competitive bidding, contracts were let to RCA for the leasing of a 50-kilowatt transmitter; to Melpar, Inc., for design and fabricaton of an antenna; to Jerrold Electronics for the taking of measurements and observations of picture quality; and to RCA for the purchase of 96 table and 15 portable model monochrome receivers and 10 color receivers—all of which are stock model receivers. A lease was signed for occupancy of necessary quarters on the 80th floor of the Empire State Building to house the transmitter and associated equipment, and for occupancy of the tower on the building by our antenna. The Municipal Broadcasting System of the City of New York, which operates radio stations WNYC and WNYC–FM in New York, was awarded the contract to provide operating personnel for the station and to program it with material approved by the Commission. Programs which are largely originated by the commercial VHF stations, and retransmitted by WUHF, are handled subject to clearance with all interested parties; e.g., the talent, the producers, sponsors, labor unions, and originating stations. The cooperation of these parties with the Commission has been 100 percent and is gratefully acknowledged.

After some experimentation with a temporary "horn" antenna which permitted testing of various nodes of polarization of emissions, the station took to the air

in November of 1961 with its full power nondirective antenna and with Chairman Newton N. Minow at the controls. (He has since been replaced by more competent operators.)

The antenna for this project is worthy of special note. Since from a structural standpoint it was considered impossible to mount the antenna on top of the existing mast on the building, it became apparent that resort had to be made to either side mounting on the tower or locating the individual elements elsewhere in the building. A design by Melpar, consisting of four slotted traveling-wave veritcally mounted elements, was approved by the Commission. Each element is about 50 feet in height and mounted at one of the respective corners of the mast, close to and interleaved with one of the existing antennas. Each element radiates its principal lobe of energy at an angle of 45° askew from the plane of adjacent tower face. Vectorially added, this energy results in, essentially, a circular pattern with 865 kilowatts of power in the main lobe which is 2.5° below horizontal. The purpose of this tilt of energy is to fill the canyon areas of the city was a usable signal, at the expense of coverage of more distant points. Before installation, the array was thoroughly model tested as to its electrical behavior. The model used for testing is now on display in the lobby of the New Post Office Department Building, where the Federal Communications Commission is quartered.

With the station on the air, the next phase of the project involved the making of observations and measurements. The Bureau of the Census has provided the Commission with a random sampling of locations within a radius of 25 miles from the transmitter, which area is one of primary concern in our test.

The procedure has been to contact the resident of the selected apartment or private dwelling to gain access; then to observe field strength and picture quality on a portable receiver, comparing channels 2, 7, and 31, and noting results. The same observations are then repeated on the roof of the building, if access thereto can be gained.

We contemplate making 4,500 such observations by October 31, 1962, the date selected for the termination of the experiment. Computer operations are being programed by the Bureau of Standards and the first computer run of data from 800 locations has provided information of a preliminary nature on the overall coverage of the three TV channels. It appears that the final results will show that, using indoor antennas, a passable or better picture will be available on VHF in a range from 9 to 15 percent more locations than on UHF; with outdoor antennas, a passable or better picture will be receivable at 1 to 3 percent more locations on VHF than on UHF.

As of May we had received and analyzed data from our table model receivers at 193 locations. These receivers are moved from home to home, leaving each receiver at a location for about 4 weeks. At the end of the project, some 1,000 locations will have been sampled. The purpose of these installations is to permit the average viewer to manipulate the tuning and make individual protracted observations and to make a more intensive study of what type installation is required at a given location. An outdoor antenna is installed only if a fine or excellent picture is unobtainable with an indoor antenna.

The results of a coverage survey which was made by FCC personnel in a truck with portable measuring equipment will also be of interest. This survey was first made under winter conditions and is now being repeated while foliage is at its height.

We express the service ranges of television stations by the terms "grade A" and "grade B" contours. The A contour is one which contains within it an area wherein the probability of receiving a satisfactory picture for 90 percent of the time is to be expected at 70 percent or more locations. The B contour is one in which the probability of receiving a satisfactory picture for 90 percent of the time is expected at only 50 percent of the locations. These contours are calculated upon a formula which takes into account antenna power, height, etc.

Our coverage survey showed that the measured grade A contours extend to 28 miles for channel 2; 31 miles for channel 7; and 27 miles for channel 31. The measured grade B contours extend to 55 miles for channel 2; 48 miles for channel 7; and 35 miles for channel 31. The receivers used in our test are considerably superior to those which entered into the basis for the original calculations of grade A and B contours in UHF. Accordingly, both the theoretical and measured contours for UHF service would extend somewhat beyond that shown above if this factor were to be taken into account. The disparity between the resepective grade B coverage of VHF and UHF signals can be partly accounted for by the

fact that the antenna array of WUHF is designed to concentrate much of its energy into the five boroughs of New York, thereby sacrificing some service in outlying areas. Some private organizations are also making contemporaneous surveys of our coverage. The Association of Maximum Service Telecasters has installed a number of receivers at distances beyond 25 miles and has obtained some field strength data. RCA has made certain observations in the lower two-thirds of Manhattan Island. We expect to be furnished reports of these and, perhaps, other observations before our experiment concludes.

I am attaching, as appendix I, a "Summary of Measurements Made at 800 Locations," prepared by George V. Waldo and, as appendix II, a "Preliminary Report (No. 2) on Receiver Installation Data," prepared by Jules Deitz. Both of these reports are by members of the UHF study group staff. As appendix III, I am attaching a report by my engineering assistant, Robert G. Weston, entitled, "Some Observations Pertaining to the FCC Field Strength Survey in New York City."

The programing of WUHF is arousing very much favorable response among its viewers. In an increasing number of afternoon and evening hours, homes equipped for UHF reception are getting a good taste of noncommercial operation, ranging the full gamut of so-called highbrow programing. The listing of WUHF's program schedule in New York papers, and other publicity, has created a flurry of interest in its operation. A survey conducted by Pulse indicated that, as of last November, more people in New York City were familiar with the term "UHF," and understood its meaning, than with the term "VHF."

I am attaching, as appendix IV, a WUHF program schedule for the week of August 12 through August 18, 1962, which is fairly typical.

To avail itself fully of the potential of this station, the city has equipped a significant number of schools, firehouses, and police stations with equipment to receive channel 31. Thus, the station is used by the city to present training courses for firemen, police, nurses, and for certain in-school courses, etc. This utilization is the subject of enthusiastic interest by many other municipalities, and will, undoubtedly, be the subject of greater exploitation.

The awakening of the city to the potentials of the station as a continuing operation has prompted it to negotiate with RCA for the purchase of the transmitter, with the expectation that it will take over the station from us and operate it as a regular adjunct of the Municipal Broadcasting System. We will, in that event, with the approval of the General Services Administration, and in accordance with law, donate the antenna to the city. Such action will save the cost of dismantling the station, which would run in the neighborhood of $200,000 and far exceed any salvage values. I am attaching, as appendix V, a schedule showing a breakdown of the expenses attributable to the operation of our station, which includes, among other items, the amounts which we may save if the New York City transaction is successfully consummated.

In conclusion, I am both proud and pleased with the manner in which our engineers and attorneys who were assigned to this project have shown leadership, imagination, and a dogged determination to complete this unusual test within the time and budgetary limitations prescribed. The contributions to science, to the cultural level of broadcasting in New York City, and to the enhanced confidence in UHF broadcasting throughout the country, appear amply to justify the expenditure of public funds which your committee made possible.

FEDERAL COMMUNICATIONS COMMISSIONS, OFFICE OF CHIEF ENGINEER,
UHF—TV PROJECT

Washington, D.C., July 19, 1962.

SUMMARY OF MEASUREMENTS MADE AT 800 LOCATIONS IN THE NEW YORK CITY UFF-TV PROJECT

The first computer run of data obtained in the New York City UHF-TV project has been analyzed. These data resulted from measurements and observations made by the Commission's test survey contractor, Jerrold Electronics Corp., at about 800 randomly selected locations within a radius of 25 miles from the Empire State Building. The locations were selected by the Bureau of the Census. The data were transcribed to punchcards by the Bureau of the Census, and computer operations were performed by the Bureau of Standards. The computer programing is being developed further, and additional data from more than 1,800 locations are now being processed.

In this first computer analysis, a composite distribution of measurements from all locations was considered for each channel. Upon completion of the measurement survey, the data will be analyzed in greater detail.

Methods utilitzed in the measurement and observation procedures were described in the FCC Analysis Industry Advisory Committee report (Apr. 13, 1961).

FIELD STRENGTH MEASUREMENTS

At each of the selected locations, voltages delivered by typical antennas were measured for the signals from each of three Empire State Building transmitters, channels 2, 7, and 31. With receiver antenna calibrations obtained in conditions approaching "free space," values of "effective field strengths" were calculated. In each case the effective radiated power of the transmitter was estimated, and the ratio of free space field strength to measured field strength was calculated. This permits a comparison of the three channels on a basis of similar ERP. At most of the locations measurements were made with antennas situated both indoors and on rooftops. It was not possible to gain access to the roof at about 15 percent of the locations included in this analysis. The following table summarizes the results of these measurements:

[In decibels]

Percent of locations where field strength is exceeded	Field strength relative to free space		
	Channel 2	Channel 7	Channel 31
Rooftops:			
10 percent	−5	−2	−4
50 percent	−17	−15	−17
90 percent	−31	−33	−37
Indoors:			
10 percent	−22	−21	−27
50 percent	−35	−34	−43
90 percent	−49	−49	−59

The performance of the transmission system as a whole, considering both transmitter and receiver antenna characteristics, may be estimated by obtaining composite distributions of transmission losses[1] as calculated from the antenna terminal voltages measured at each location. A summary of these transmission losses follows:

	Percent of locations where transmission loss is exceeded	Transmission loss		
		Channel 2	Channel 7	Channel 31
		Decibels	*Decibels*	*Decibels*
Rooftops	10	102	106	117
Do	50	81	83	93
Do	90	61	63	74
Indoors	10	129	128	136
Do	50	112	111	119
Do	90	92	90	97

BUILDING PENETRATION LOSS

The loss in field strength between rooftop antennas and indoor antennas averaged from 18 decibels on VHF to 26 decibels on channel 31. The corresponding difference in transmission loss for channel 31 was also 26 decibels, since the same antenna was used for rooftop and indoor measurements on this channel. However, different antennas were used for rooftop and indoor measurements on VHF, and because of the difference in the characteristics of these antennas, the transmission loss differential between rooftop and indoor sites was greater

[1] "Transmission loss" is defined for this purpose as the ratio of the effective power radiated by the transmitter antenna toward the receiver, to the power delivered to the load at the terminals of the receiver antenna. Transmission line losses are not included.

on VHF than on UHF. These differentials were 31 decibels on channel 2 and 28 decibels on channel 7. These values of transmission loss reflect the operation of typical TV receiver antennas for indoor and rooftop installations.

Standard statistical methods indicate that the measured values described above will probably be within ±5 decibels of the final values obtained when the project is completed.

PICTURE QUALITY OBSERVATIONS

Picture quality was graded at all locations using original TASO photographs as a standard for judging degradation due to noise, and using special scales for degradation due to multipath transmission, and for overall picture quality. Noise degradation was mainly due to circuit noise in the TV receiver, which was labeled "thermal noise." Results of these observations may be tabulated as follows:

(1) *Degradation due to thermal noise—Percentage of locations where grade is equal or better*

Picture grade	Channel 2		Channel 7		Channel 31	
	Indoor	Rooftop	Indoor	Rooftop	Indoor	Rooftop
1	50	92	49	91	39	86
2	86	100	85	100	68	96
3	97	100	98	100	86	99
4	99	100	100	100	94	100
5	100	100	100	100	99	100
6	100	100	100	100	100	100

(2) *Degradation due to ghosting—Percentage of locations where grade is equal or better*

Picture grade	Channel 2		Channel 7		Channel 31	
	Indoor	Rooftop	Indoor	Rooftop	Indoor	Rooftop
1	29	70	36	74	36	68
2	77	94	80	95	78	92
3	93	98	93	99	91	97
4	98	100	98	100	96	99
5	100	100	100	100	99	100
6	100	100	100	100	100	100

(3) *Overall picture quality—Percentage of locations where grade is equal or better*

Picture grade	Channel 2		Channel 7		Channel 31	
	Indoor	Rooftop	Indoor	Rooftop	Indoor	Rooftop
1	18	64	25	66	17	55
2	66	93	68	92	54	87
3	88	98	90	97	77	95
4	97	100	98	99	89	99
5	100	100	100	100	98	100
6	100	100	100	100	100	100

An overall picture quality rating of grade 3 is described as a picture of acceptable quality, where degradation is not objectionable, and enjoyment is not prevented by such degradation. Considering the indoor and rooftop sites where the antenna receives a grade 3 or better picture, the quality of service provided to the area by the channel 2 and channel 7 transmitters was practically the same. Statistical methods suggested by the Census Bureau indicate that the final per-

centages of locations obtaining grade 3 or better service, after observations have been made at about 5,000 locations, will probably be within the following ranges:

Percentage of locations receiving grade 3 or better pictures

	Minimum	Maximum
Indoor antennas:		
Channel 2 or 7	86	92
Channel 31	75	80
Rooftop antennas:		
Channel 2 or 7	96	99
Channel 31	94	98
Probable difference, VHF and UHF:		
Indoor antennas	9	15
Rooftop antennas	1	3

CHANNEL 77 TRANSLATOR SIGNALS

A translator station has been installed on the east-tower structure of the George Washington Bridge by Adler Electronics, Inc., and has been in operation since last March. Measurements and observations are being made of the channel 77 signals at locations within range of this station. There is as yet an insufficient sample of data available for analysis of results from these measurements.

GEORGE V. WALDO.

APPENDIX II

PRELIMINARY REPORT (NO. 2) ON RECEIVER INSTALLATION DATA UHF–TV PROJECT

FEDERAL COMMUNICATIONS COMMISSION,
Washington, D.C., May 28, 1962.

The following information is based on 193 UHF/VHF television broadcast receiver installations in the New York City area. All transmissions are broadcast from the Empire State Building.

We expect to have accomplished 1,000 installations by October 31, 1962; thus the information contained in this report represents the results of 20 percent of our sample. The sample itself is a purely random one and is supplied to the Commission by the Census Bureau. Each location is pinpointed to a particular household, or in the case of an institution, such as a hospital, the manager specifies a receiver location within the building. Thus far we have been successful in obtaining permission to enter 90 percent of the census locations.

As indoor receiver location may be any room within a household where television is normally received. Any outdoor antenna site may be chosen provided it is a practical location where TV antennas can be erected by the householder or his landlord. The antennas we are using are typical of those available in the open market. Outdoor antennas are not considered where grade 1 or 2 pictures are obtained indoors on channels 2, 7, and 31.

PICTURE RATING DEFINITIONS

Grade 1. Excellent: The picture is of extremely high quality as good as you could desire. Noise or multipath effects not perceptible.

Grade 2. Fine: The picture is of high quality providing enjoyable viewing. Picture degradation is perceptible, but not disturbing.

Grade 3. Passable: The picture is of acceptable quality. Picture degradation is not objectionable, and does not prevent enjoyment.

Grade 4. Marginal: The picture is poor in quality and you wish you could improve it. Picture degradation is somewhat objectionable.

Grade 5. Inferior: The picture is very poor but you could watch it. Definitely objectionable picture degradation is present.

Grade 6. Unusable: The picture is so bad that you could not watch it.

Figure 1 summarizes the picture quality observed for channels 2, 7, and 31. Separate gradings are given for overall picture rating, ghosting, thermal noise, and manmade noise. The tabulation gives results separately for indoors and outdoors as well as indoor-outdoors combined. There are but small differences between UHF and VHF reception.

The above data is that obtained by our own field crews. No attempt has been made at this time to report on the gradings obtained from the householders themselves. This program has been hampered by the reluctance of many to make room for the demonstration receiver. This situation is improving considerably and it is hoped that a 75-percent sample will be available when the test is completed.

Our data on color reception is too meager to report on at this time.

JULES DEITZ.

PICTURE QUALITY OBSERVATIONS

INDOORS - OUTDOORS

		OVERALL PICTURE			OVERALL GHOSTING			THERMAL NOISE			MAN-MADE NOISE		
		2	7	31	2	7	31	2	7	31	2	7	31
% Locations	Grade 1	16.3	19.4	12.2	20.0	21.6	27.2	53.7	54.2	48.0	90.4	91.6	79.0
	Grades 1 and 2	80.3	82.8	77.3	83.0	85.0	85.1	95.2	97.3	85.6	98.3	99.1	97.8
	Grades 1, 2 and 3	93.0	93.0	87.8	92.6	93.0	92.5	97.8	99.5	93.0	100	99.5	99.6
	Grades 1 - through 4	97.8	97.3	94.3	97.0	97.3	97.4	98.7	100	96.9	100	100	100
	Grades 1 - through 5	99.5	100	98.7	98.7	100	99.1	100	100	99.1	100	100	100
	Grades - All	100	100	100	100	100	100	100	100	100	100	100	100

INDOORS

% Locations	Grade 1	12.7	15.2	7.1	17.3	17.8	23.8	49.2	48.2	42.1	90.9	91.9	76.6
	Grades 1 and 2	78.7	80.7	74.1	81.7	83.2	82.7	95.4	96.9	83.2	99.5	99.5	97.5
	Grades 1, 2 and 3	92.4	91.9	86.3	93.0	91.9	91.4	98.5	99.5	91.9	100	100	99.5
	Grades 1 - through 4	98.0	97.0	93.4	98.0	97.0	96.4	99.5	100	96.4	100	100	100
	Grades 1 - through 5	100	100	98.5	100	100	99.0	100	100	99.0	100	100	100
	Grades - All	100	100	100	100	100	100	100	100	100	100	100	100

OUTDOORS

% Locations	Grade 1	40.0	46.7	43.7	40.0	46.7	46.9	86.7	93.4	84.4	93.3	90.0	93.8
	Grades 1 and 2	96.7	96.7	96.9	96.7	96.7	96.9	100	100	100	96.7	96.7	100
	Grades 1, 2 and 3	96.7	100	96.9	96.7	100	96.9	100	100	100	100	96.7	100
	Grades 1 - through 4	96.7	100	100	96.7	100	100	100	100	100	100	100	100
	Grades 1 - through 5	96.7	100	100	96.7	100	100	100	100	100	100	100	100
	Grades - All	100	100	100	100	100	100	100	100	100	100	100	100

JDeitz/5-28-63

FIGURE 1

FIGURE 2

	Channels		
	2	7	31
Number of locations where picture grade was 1 or 2 indoors	153	155	140
Number of locations where picture grade was not 1 or 2 indoors but was grade 1 or 2 with outdoor antenna	24	24	33
Number of locations where picture grade was not 1 or 2 indoors but was grade 3 with outdoor antenna	2	2	2
Number of locations where picture grade was not 1 or 2 indoors but we were unable to get on the roof	14	12	18

In addition to the above, the best reception on channel 7 at one location was grade 6 (outdoors) and at another location the best reception for channel 31 was grade 5 (outdoors).

FIGURE 3

Distance to Empire State Building:	*Number of locations*
0 to 5 miles	109
5 to 10 miles	56
10 to 15 miles	15
15 to 20 miles	9
20 to 25 miles	4

APPENDIX III

SOME OBSERVATIONS PERTAINING TO THE FCC FIELD STRENGTH SURVEY IN NEW YORK CITY

In addition to the taking of observation data in a 25-mile circle in our UHF test, our mobile measuring crew has taken field strength measurements along radials emanating from the transmitting site on eight different bearings, of the signals of the UHF station as well as of a high band and a low band VHF station. Each of channel 2, channel 7, and channel 31 stations operates with different radiated powers and somewhat different antenna heights. WUHF, in particular, concentrates much of its radiated energy to close-in areas at the expense of more distant coverage. However, some reports of reception of WUHF have been received from areas well beyond the predicted contours. The radial measurements were taken when foliage was low and will be repeated under summertime conditions to ascertain the effects of foliage upon the signals of these stations.

The extent of television service is described by grade A and grade B contours; the contours have the purpose of statistically describing the probable percentages of locations at which one would obtain a satisfactory picture for a given percentage of time. Beyond these contours there is a decreased probability of good receiving locations. The grade A contour contains an area wherein, to the median observer, there are better than 70 percent acceptable receiving locations for at least 90 percent of the time, for grade B the figures are 50 percent of the locations for 90 percent of the time. Predictions as to the location of these contours are made by the use of emperical propagation curves averaged from available data and a consideration of the station's antenna height and radiated power.

On the average, the measured grade A contours extend to 28 miles for channel 2, 31 miles for channel 7, and 27 miles for channel 31. The measured grade B contours extend to 55 miles for channel 2, 48 miles for channel 7, and 35 miles for channel 31. The disparity of distances to the grade B contours between VHF and UHF stations in this instance may be attributed in part to the manner in which WUHF radiates its energy.

The attachment shows measured results as percentages of predicted results along the various radials and a comparison of predicted and measured distances to grade A and grade B contours, wherein measured distances were obtained by averaging the measured distances on the several radials.

It should be noted that the receivers being used in our site tests, within the 25-mile circle, are considerably superior with respect to internal noise than those which were commercially available at the time that the definitions of grade A and grade B contours were promulgated. Accordingly, both measured and predicted grade A and grade B contours would extend somewhat beyond the distances shown were this factor to be taken into account.

Distances to measured grades A and B contours expressed in percentages of distances to computed contours

[Percent]

Degrees east of true north	Channel 2		Channel 7		Channel 31	
	A	B	A	B	A	B
0	74	64	59	60	80	73
29	86	74	62	68	71	73
50	114	93	90	91	125	122
80	63	69	66	82	100	103
190	80	84	85	86	128	119
230	87	87	70	78	111	116
290	73	66	53	66	71	70
340	66	93	50	54	84	81
Average	80	79	67	73	96	95

Average distances to contours

	Grade A		Grade B	
	Measured miles	Computed miles	Measured miles	Computed miles
Channel 2	28	35	55	70
Channel 7	31	47	48	65
Channel 31	27	28	35	37

APPENDIX IV

MUNICIPAL BROADCASTING SYSTEM—WUHF, CHANNEL 31, WNYC AND WNYC FM, NEW YORK

(WUHF, Channel 31, Operated by the Federal Communications Commission)

PROGRAM LOG—WEEK OF AUGUST 12 THROUGH AUGUST 18

WUHF-TV channel 31 (ultra high frequency) broadcasts programs from studios in the municipal building, from remote locations and in addition simulcasts programs of VHF channels 2, 4, 5, 7, 9, and 11 in accordance with arrangements made by the Federal Communications Commission.

Sunday, August 12

9 a.m., channel 31	Identification slides (or test patterns).
12:30 p.m., simulcast (4)	"Youth Forum."
1 p.m., channel 31	Identification slides (or test patterns).
2:30 p.m., simulcast (4)	"Direct Line."
3 p.m., simulcast (4)	"Open Mind."
4 p.m., channel 31	"David Randolph's Music Room": David Randolph, conductor of the Randolph Singers, and well-known music critic and lecturer, is the host of this weekly program about music and people. (Artist appearance through courtesy of Concert Artists Guild, Blanch Wise, director.)

Sunday, August 12—Continued

4:30 p.m., channel 31	"American at Work": Programs of public interest produced by the AFL–CIO and presenting information about how America's products are made. "Today: Subway Workers," describing the speed arteries under the giant cities of America.
4:45 p.m., channel 31	"Industry on Parade": Peabody Award winning series produced by the National Association of Manufacturers. "Today: The Welcome Mat," describing the trend of expanding industries to move from large cities to small towns and to new sections of the country.
5 p.m., channel 31	"Your Neighbor—The World": Film reports on people, places and problems in this modern world.
5:30 p.m., simulcast (4)	"Patterns of Music" (transmitted in color).
6 p.m., simulcast (4)	"Meet the Press" (transmitted in color).
6:30 p.m., channel 31	"Magic Lantern to the Stars": The development of the motion picture as an industry and an art form. Narrator: James Card, curator of films at the George Eastman House of Photography in Rochester, N.Y. Presented in cooperation with the New York State Department of Education, and WNED-TV, channel 17 in Buffalo, N.Y. "Today: Crusading Cinema," describing how serious drama in early films tackled social problems.
7 p.m., simulcast (4)	"Bullwinkle Show" (transmitted in color).
7.30 p.m., simulcast (4)	"Walt Disney's Wonderful World" (transmitted in color).
8:30 p.m., channel 31	"Strategic Iran": Documentary study of Iran, often called "The Crossroads of the East."
8:45 p.m., channel 31	"The Philippines": Documentary on the Philippines, including activities in World War II, and its current role in world affairs.
9 p.m., simulcast (5)	"Open End": Panel discussion, David Suskind, moderator.
11 p.m., channel 31	Sign off.

Monday, Aug. 13

8:45 a.m., channel 31	"Police Line-Up": Remote from Police Headquarters. Transmitted in code—not intended for viewing by the public. (Note: Receivers should not be adjusted during this program.)
9:15 a.m., channel 31	Identification slides (or test patterns).
10 a.m., simulcast (4)	"Say When."
10:30 a.m., simulcast (4)	"Play Your Hunch" (transmitted in color).
11 a.m., simulcast (4)	"Price Is Right" (transmitted in color).
11:30 a.m., simulcast (4)	"Concentration."
12 p.m., simulcast (4)	"Your First Impression."
12:30 p.m., simulcast (4)	"Truth or Consequences."
1 p.m., channel 31	Identification slides (or test patterns).
1:30 p.m., simulcast (4)	"Dr. Joyce Brothers."
2 p.m., simulcast (4)	"Jan Murray Show" and News.

Monday, August 13—Continued

2:30 p.m., simulcast (4)	"Loretta Young Theater."
3 p.m., simulcast (4)	"Young Dr. Malone."
3:30 p.m., channel 31	"City Close-Up": Seymour N. Siegel conducts a weekly series of interviews with officials of New York City administration. "Today: Emma Rothblatt," commissioner, department of commerce, public events.
4 p.m., simulcast (7)	"American Bandstand" and "Youth News."
5 p.m., simulcast (5)	"Felix" and "Diver Dan."
6 p.m., simulcast (7)	Evening report.
6:30 p.m., channel 31	"Research Doctor": Series of documentary programs presented in cooperation with WOSU–TV, educational television station of Ohio State University. "Today: Medical prospects for the Sixties," a panel of distinguished doctors discuss what we can expect from medical research during the next 10 years.
7 p.m., simulcast (2)	"National Report" and Walter Cronkite.
7:30 p.m., simulcast (2)	"To Tell the Truth."
8 p.m., channel 31	Beginning German: Queens College Course (German—71 TV) aired every Monday and Wednesday at this hour, conducted by Dr. Harold Lenz.
9 p.m., simulcast (4)	"87th Precinct."
10 p.m., simulcast (4)	"Japan; East Is West."
11 p.m., channel 31	Sign off.

Tuesday, Aug. 14

8:45 a.m., channel 31	"Police Lineup": Remote from police headquarters. Transmitted in code—not intended for viewing by the public. (Note: do not adjust receivers during this program.)
9:15 a.m., channel 31	Identification slides (or test patterns).
10 a.m., simulcast (4)	"Say When."
10:30 a.m., simulcast (4)	"Play Your Hunch" (transmitted in color).
11 a.m., simulcast (4)	"Price Is Right" (transmitted in color).
11:30 a.m., simulcast (4)	"Concentration."
12 m., simulcast (4)	"Your First Impression."
12:30 p.m., simulcast (4)	"Truth or Consequences."
1 p.m., channel 31	Identification slides (or test patterns).
1:30 p.m., simulcast (4)	"Dr. Joyce Brothers."
2 p.m., simulcast (4)	"Jan Murray Show" and news.
2:30 p.m., simulcast (4)	"Loretta Young Theater."
3 p.m., channel 31	"Americans at Work": Programs of public interest produced by the AFL–CIO and presenting information about how America's products are made. "Today: Subway Workers," describing the speed arteries under the giant cities of America.
3:15 p.m., channel 31	"Around the Clock": New York Police Department program. "Today": Inspector George P. MacManus, Commanding Chief Inspector Walter Henning on "The Central Office Bureaus and Squads." Also, Lieutenant Behan, pickpocket and confidence squads.

Tuesday, August 14—Continued

3:45 p.m., channel 31	"Achievement": Document film about interesting people who search for better roads to accomplishments in modern science and industry. "Today: Hold High the Torch."
4:15 p.m., channel 31	"Around the Clock": New York Police Department program. (Repeat of program presented at 3:15 p.m.)
4:45 p.m., channel 31	"Industry on Parade": Peabody Award winning series produced by the National Association of Manufacturers. "Today: The Welcome Mat," describing the trend of expanding industries to move from large cities to small towns and to new sections of the country.
5 p.m., simulcast (5)	"Felix" and "Diver Dan."
6 p.m., simulcast (7)	Evening report.
6:30 p.m., channel 31	"For Your Information": Film series on a variety of subjects.
7 p.m., simulcast (2)	"National Report" and Walter Cronkite.
7:30 p.m., simulcast (2)	"Marshall Dillon."
8 p.m., channel 31	"Intermediate Calculus": Queens College course, math 6 TV, aired every Tuesday and Friday, at this hour, conducted by Dr. Leo Zippin.
9 p.m., channel 31	"Commonwealth of Nations": Produced by the National Film Board of Canada, this series of programs describes the exciting evolution of the British Empire into the Commonwealth of Nations. Narrator: Edgar McInnis, president of the Canadian Institute of International Affairs. "Today: The Portrait of a Family," a capsule visit to many of the countries in the Commonwealth. This episode shows both sides: their contrasts and conflicts, as well as their achievements and the bond that unites them.
9:30 p.m., channel 31	"Magic Lantern to the Stars": The development of the motion picture as an industry and as an art form. Narrator: James Card, curator of films at the George Eastman House of Photography in Rochester. Presented on videotape in cooperation with the New York State Education Department, and WNED–TV channel 17 in Buffalo, N.Y. "Today: Crusading Cinema," describing how serious drama in early films tackled social problems.
10 p.m., simulcast (4)	"Cain's Hundred."
11 p.m., channel 31	Sign off.

Wednesday, Aug. 15

8:45 a.m., channel 31	"Police Line-Up": From police headquarters. Transmitted in code—not intended for public viewing. (NOTE.—Do not adjust receivers during this program).
9:15 a.m., channel 31	Identification slides (or test patterns).
10 a.m., simulcast (4)	"Say When."
10:30 a.m., simulcast (4)	"Play Your Hunch" (transmitted in color).

Wednesday, August 15—Continued

11 a.m., simulcast (4)	"Price Is Right" (transmitted in color).
11:30 a.m., simulcast (4)	"Concentration."
12 p.m., simulcast (4)	"Your First Impression."
12:30 p.m., simulcast (4)	"Truth or Consequences."
1 p.m., channel 31	Identification slides (or test patterns).
1:30 p.m,, simulcast (4)	"Dr. Joyce Brothers."
2 p.m., simulcast (4)	"Jan Murray Show and News."
2:30 p.m., simulcast (4)	"Loretta Young Theater."
3 p.m., simulcast (4)	"Young Dr. Malone."
3:30 p.m., channel 31	"Winds That Kill": Documentary with timely information prepared by the Weather Bureau of the U.S. Department of Commerce, on the subject of hurricanes.
3:45 p.m., channel 31	Encore, "Today: These Are My People." Film series featuring a wide range of topics for the family audience.
4 p.m., simulcast (7)	"American Bandstand and News."
5 p.m., channel 31	"City Close-Up": Seymour N. Siegel conducts a weekly series of interviews with officials of New York City administration.
5:30 pm., simulcast (5)	"Felix and Diver Dan."
6 p.m., simulcast (7)	Evening report.
6:30 p.m., channel 31	"Nutrition and You," with Iva Bennett of the Bureau of Nutrition, New York City Department of Health. "Today: Queensbridge Health Maintenance Cilnics," with guest, Dr. Nicotas Kuo, (The Queensbridge housing projects are for senior citizens.)
6:45 p.m., channel 31	"Scope": Weekly series of film revealing background information about many important activities in our fast changing world. "Today: Casting off for Family Fun."
7 p.m., simulcast (2)	National report and Walter Cronkite.
7:30 p.m., channel 31	"The Big Picture": Programs produced by the U.S. Army as a report to the people on many subjects related to national defense. "Today: History of Aviation—Part 2."
8 p.m., channel 31	"Beginning German": Queens College course (German 71 TV) conducted by Dr. Harold Lenz.
9 p.m., simulcast (4)	"Mystery Theater."
10 p.m., simulcast (4)	"Play Your Hunch" (transmitted in color).
10:30 p.m., simulcast (4)	David Brinkley (transmitted in color).
11 p.m., channel 31	Sign off.

Thursday, Aug. 16

8:45 p.m., channel 31	"Police Line-Up": (From police headquarters.) Transmitted in code—not intended for viewing by the public. (Note: Do not adjust receiver during this program.)
9:15 a.m., channel 31	Identification slides (or test patterns).
10 a.m., simulcast (4)	"Say When."
10:30 a.m., simulcast (4)	"Play Your Hunch" (transmitted in color).
11 a.m., simulcast (4)	"Price Is Right" (transmitted in color).
11:30 a.m., simulcast (4)	"Concentration."
12 p.m., simulcast (4)	"Your First Impression."

Thursday, August 16—Continued

12:30 p.m., simulcast (4)	"Truth or Consequences."
1 p.m., channel 31	Identification slides (or test patterns).
1:30 p.m., simulcast (4)	"Dr. Joyce Brothers."
2 p.m., simulcast (4)	"Jan Murray Show and News."
2:30 p.m., simulcast (4)	"Loretta Young Theater."
3 p.m., channel 31	"British Calendar": Documentary film produced by the British Information Service.
3:15 p.m., channel 31	"Around the Clock": Police department program.
3:45 p.m., channel 31	"For Your Information": Film series on a variety of subjects.
4:15 p.m., channel 31	"Around the Clock": Police department program.
4:45 p.m., channel 31	"Armchair Adventure": Travelog series with documentary episodes.
5 p.m., simulcast (5)	"Felix" and "Diver Dan."
6 p.m., simulcast (7)	Evening report.
6:30 p.m., channel 31	"The Rice Is Red": Specialists from leading universities discuss many aspects of the story of modern China. "Today: The Family," with Dr. C. K. Yang, professor of sociology, University of Pittsburgh.
7 p.m., simulcast (2)	"National Report" and Walter Cronkite.
7:30 p.m., channel 31	"On the Job": New York City Fire Department training course series also presented Saturdays at 7:30 to 8 p.m.
8 p.m., simulcast (7)	"Donna Reed Show."
8:30 p.m., simulcast (4)	"Dr. Kildare."
9:30 p.m., channel 31	"Pleasures of Learning": Produced by New York University, Division of General Education. The current series are dialogs in depth with Walter J. Miller, associate professor, and guests.
10 p.m., simulcast (4)	"Sing Along With Mitch" (in color).
11 p.m., channel 31	Sign off.

Friday, August 17

9 a.m., channel 31	Identification slides (or test patterns).
10 a.m., simulcast (4)	"Say When."
10:30 a.m., simulcast (4)	"Play Your Hunch" (transmitted in color).
11 a.m., simulcast (4)	"Price Is Right" (transmitted in color).
11:30 a.m., simulcast (4)	"Concentration."
12 noon, simulcast (4)	"Your First Impression."
12:30 p.m., simulcast (4)	"Truth or Consequences."
1 p.m., channel 31	Identification slides (or test patterns).
1:30 p.m., simulcast (4)	"Dr. Joyce Brothers."
2 p.m., simulcast (4)	"Jan Murray Show and News."
2:30 p.m., simulcast (4)	"Loretta Young Theater."
3 p.m., simulcast (4)	"Young Dr. Malone."
3:30 p.m., channel 31	"Nutrition and You," with Barbara Premo, of the Bureau of Nutrition, New York City Department of Health. "Today: Seasonal and Reasonable Foods," with guest Ruth Hodson.
3:45 p.m., channel 31	"Armchair Adventure": Travelog series with documentary episodes.
4 p.m., simulcast (7)	"American Bandstand and Youth News."
5 p.m., simulcast (5)	"Felix and Diver Dan."
6 p.m., simulcast (7)	Evening report.

Friday, August 17—Continued

6:30 p.m., channel 31	"Nutrition and You," with Iva Bennett, of the Bureau of Nutrition, New York City Department of Health. "Today: Queensbridge Health Maintenance Clinics," with guest Dr. Nicotas Kuo.
6:45 p.m., channel 31	"British Calendar": Film produced by the British Information Service.
7 p.m., simulcast (2)	National report and Walter Cronkite.
7:30 p.m., channel 31	"Quest for Adventure": Film series on sports, adventure, etc.
8 p.m., channel 31	"Intermediate Calculus": Queens College course (Math 8 TV). Conducted by Dr. Leo Zippin, and presented each Tuesday and Friday at 8 p.m.
9 p.m., channel 31	"World of Medicine": Documentary program produced and prepared in cooperation with professional personnel in the field of medicine and research. Today's program covers: Therapeutics in dermatology; and use of radioactive materials.
9:30 p.m., simulcast (4)	Purex special: "The Indiscriminate Women."
10:30 p.m., simulcast (4)	Chet Huntley.
11 p.m., channel 31	Sign off.

Saturday, Aug. 18

9 a.m., simulcast (4)	"American Treasure Chest."
9:30 a.m., simulcast (4)	"Pip the Piper."
10 a.m., simulcast (4)	"Shari Lewis Show."
10:30 a.m., simulcast (4)	"King Leonardo."
11 a.m., simulcast (4)	"Fury."
11:30 a.m., channel 31	Identification slides (or test patterns).
12 m., simulcast (4)	"Watch Mr. Wizard."
12:30 p.m., simulcast (4)	CBS News with Robert Trout.
1 p.m., channel 31	Identification slides (or test patterns).
3 p.m., channel 31	"Scope": Weekly series of film programs on sports, adventures, travel, etc.
3:15 p.m., channel 31	"Around the Clock": Police department program.
3:45 p.m., channel 31	"Quest for Adventure": Series of film programs on sports, adventures, travel, etc.
4:15 p.m., channel 31	"Around the Clock": Police department program. (Repeat of 3:15 p.m.)
4:45 p.m., channel 31	"British Calendar": Documentary films produced by the British Information Service.
5 p.m., channel 31	"Young World": "Today: 'The Chocolate Tree'": film series on topics of special interest to teenagers.
5:30 p.m., channel 31	"The Rice Is Red": Series of programs in which specialists from leading universities discuss many aspects of the story of modern China. "Today: 'The Commune,'" with Dr. John W. Lewis, assistant professor of government, Cornell University.
6 p.m., simulcast (4)	"Saturday Night Report."
6:15 p.m., simulcast (4)	"Recital Hall."
7 p.m., channel 31	"School Story": "Today: 'The Golden Key,'" produced by the National Education, this film series is designed to increase the American public's knowledge and understanding of its schools.

Saturday, August 18—Continued

7:30 p.m. channel 31	"On the Job": New York City Fire Department training course.
8 p.m., channel 31	"The Veterinarian": Documentary about the modern animal practitioner—a thoroughly trained professional man.
8:30 p.m., simulcast (9)	"Foreign Film Festival."
10 p.m., simulcast (2)	"Gunsmoke."
11 p.m., channel 31	Sign off.

APPENDIX V

UHF–TV project financial status, Aug. 6, 1962

As of the end of fiscal year 1962 the sum obligated was	$1,438,730.63
To operate and measure for 4 months ending Oct. 31, 1962, assuming that New York City takes over the station with no removal costs on our part, the following figures are estimated:	
Empire State rentals:	
Tower	26,666.67
Room rent	4,533.33
Electric power	12,200.00
Telephone	1,000.00
Transmitter rental	36,592.00
Travel	5,000.00
Bureau of the Census	15,000.00
Receiver antennas and transmission line	1,000.00
Salaries for FCC personnel	38,000.00
Transmitter operator costs	20,000.00
Total	276,892.00
The above includes no allowance for contingencies or transmitter tubes, etc.	
On the above basis the total project moneys expended at the end of the project will be	1,715,622.63
Leaving a balance (from the original $2,000,000) of	284,377.37
Cost to remove equipment (plus incidentals) if New York City does not take over station (estimate)	190,000.00
Balance	94,377.37
Rounded	90,000.00

This assumes that no additional funds will have to be paid to Census or Bureau of Standards.

ASSESSMENT OF FEES

Senator ALLOTT. Now, Mr. Chairman, I have one other item, and this concerns docket 14507.

I have had numerous letters from the Delta County Amateur Radio Club, Mr. Paul Arnold, of Gun Valley Lodge, Dillon, Colo.; Mr. Warrenton Rington, an attorney in Denver, and others relative to the amateur licenses situation and protesting the fee situation proposed with respect to the granting of amateur licenses.

Would you comment on that?

Mr. LEE. We have a rulemaking outstanding with respect to the imposition of fees for various licensees, and this is pretty much being supervised by the General Counsel's Office, and I think that Mr. Pincock, who is now a member of the Review Board, but is familiar with this subject, will answer you in detail.

Mr. PINCOCK. This fees proceeding was noticed for a proposed rulemaking proceeding, and there was a notice covering the whole spectrum of the Commission's activities.

They range from comparatively high fees of around—I will submit the figures for the record—of $250 for broadcast stations down to a small fee of $5 in connection with such things as amateur licenses.

Now, this is a proposal. The purpose of the notice was to give everyone, who might be concerned, an opportunity to tell the Commission what they thought about it.

They have told us.

I think we received something over 1,000 comments on this proceeding.

I am advised by the people on the staff who are working on it, that there are not over a half dozen who endorsed the proposal. Some find it desirable for everyone except themselves.

The staff work is being done by the General Counsel's Office.

A summary of the comments and the Commission will take a look at them——

Mr. LEE. What is the timetable?

STAFF WORK ON SUMMARIZATION

Mr. PINCOCK. I expect the basic staff work in summarizing the comments is well along.

I would think October or early November there will be something.

In fact, I might point out that the amateur license runs for a 5-year period, so this is $5 for a 5-year license.

It is not a lot of money. I realize the objections are not to the amount but rather to a matter of principle, that we get.

Senator ALLOTT. Well, I expect somewhat to the amount, too. I just want to leave this thought with the Commission.

Those who live in the East are prone to view the United States through a spectrum of big paved streets and skyscrapers, and they fail to realize many times that there is a great heartland of America which is not such a kind of country.

Mr. PINCOCK. True.

Senator ALLOTT. And I do not know, for example, whether the amateur radio people have been of any service in the East or not.

I do know that in the West, for many reasons and on many occasions over a period of years, our amateur radio operators have contributed actually sometimes in life and death matters to situations which helped the public and helped individuals very greatly.

I personally would not like to see any license fee placed upon them which would, in any sense, be a tax.

Now, if a station is used on a commercial basis this raises another question, I think, but these ham operators are of great help on many occasions throughout the entire western part of the United States.

And I hope that this is taken into consideration when any license fee is fixed.

OPPOSITION TO FEES

Mr. FORD. May I say something?

I have opposed these fees, and I would like to give you the reasons.

I do not know whether I am alone or not. There may be another Commissioner with me. I do not know whether I am alone in the original proposal of them, but the difficulty that I find with it is that the basis for this is the language in an appropriations act of some years ago, telling us that we should recover our costs.

Now, the fees that are proposed recover about half the cost of the Commission on an estimated basis.

They include a whole schedule of the various licenses that we issue.

Now, the thing that bothers me a little, and rather considerably about this is that there are no guidelines laid down by Congress as to what these should be. In the event we thought our costs should be twice as much as they are, then we could raise the fees from $250 to $1,000 or put them any place we wanted to and, to me, this gives the Commission acting authority, in effect, to tax small stations out of existence.

For that reason, I would have no hesitancy at all in coming to Congress with the schedule of fees for some guidelines under which these fees should be taxed against various users of these Government licenses.

GUIDELINES THROUGH CONGRESSIONAL AUTHORITY

But for the Commission to take the general language and, I suppose, if Congress did not object, in effect, they would be approved, but I would much prefer it to come through the authority of the Congress, some guidelines for us to know the framework that they expect to be followed in the imposition of these fees.

Senator ALLOTT. Well, of course, this is something that only the legislative committee can do, and Senator Magnuson will read this portion.

I will call it to his attention because we should provide guidelines in this matter.

Do you have something else?

Mr. PINCOCK. Just one observation, Senator:

Your reference to the services of amateur radio operators in the West certainly are not limited geographically to the West.

Our files are quite full of instances in which amateur operators have made very substantial contributions in all sorts of important emergencies, and I am sure that those of us who have been on the staff of the Commission for many years are very familiar with many of them.

Now, this thing on fees, of course, is now pending before the full Commission. They will consider the comments and what they do will be then available.

Mr. LEE. He is from the West, too.

Mr. PINCOCK. I am from your neighboring State of Idaho.

COMMITTEE RECESSES

Senator ALLOTT. Well, gentlemen, thank you very much.

I think this concludes the hearing, and we will recess until 2 o'clock this afternoon.

(Whereupon, at 11:45 a.m., the hearing was recessed, to reconvene at 2 p.m., on the same day.)

(AFTERNOON SESSION—2:05 P.M., WEDNESDAY, AUGUST 15, 1962)

VETERANS' ADMINISTRATION

STATEMENTS OF W. J. DRIVER, DEPUTY ADMINISTRATOR, VETERANS' ADMINISTRATION; A. H. MONK, ASSOCIATE DEPUTY ADMINISTRATOR; J. M. HANSMAN, CONTROLLER; J. D. SHYTLE, DIRECTOR, BUDGET SERVICE; DR. W. S. MIDDLETON, CHIEF MEDICAL DIRECTOR; J. D. BAKER, CONTROLLER, D. M. & S.; DR. M. J. MUSSER, ASSISTANT CHIEF MEDICAL DIRECTOR FOR RESEARCH AND EDUCATION IN MEDICINE; P. N. BROWNSTEIN, CHIEF BENEFITS DIRECTOR; AND W. ASHBRIDGE, ASSISTANT ADMINISTRATOR FOR CONSTRUCTION

HOUSE ACTION

Senator ALLOTT. Gentlemen, it is nice to welcome you back.

Let us start first of all with the statement of the Chief Medical Director.

And now for "Medical Administration, miscellaneous operating expenses," $43,876,562, budget for this year, $13,772,000, which is what the House gave you, which is $30,104,500 less than the 1962 appropriations. But this is combined also in this year's budget with the additional line item, "Medical and prosthetic research," on which the House gave you $28 million. Is that correct?

Dr. MIDDLETON. That is correct, sir.

Senator ALLOTT. Is that correct?

Dr. MIDDLETON. Yes.

Senator ALLOTT. All right. Will you proceed.

Dr. MIDDLETON. With the statement, sir?

Senator ALLOTT. Yes.

Dr. MIDDLETON. Mr. Chairman and gentlemen, it is a privilege to appear before you to discuss the progress we have been making and hope to continue in the medical care and treatment of our country's veterans, and to tell you about our fund requirements in fiscal year 1963 for our several medical programs. I am sincerely gratified that the House of Representatives has approved in full our monetary requests for fiscal year 1963 and stand prepared to furnish you with complete justification of those requests.

MEDICAL CARE

In this fiscal year we are requesting for our medical care programs an appropriation of $1,017,892,000, plus $4,775,000 estimated reimbursements.

Senator ALLOTT. Doctor, may I interrupt at that point? Let us clear that up for the record. Those reimbursements are for care in other hospitals.

Dr. MIDDLETON. Pardon me. Service rendered other elements of the Government by our hospitals and clinics.

Senator ALLOTT. Services rendered what?

Dr. MIDDLETON. Other elements of Government, in the main.

Senator ALLOTT. All right, sir.

Dr. MIDDLETON. Of these funds, $927,833,000 is for inpatient care activities, including requirements of VA hospitals and domiciliaries, and reimbursable payments to civil, municipal, State, and other Federal contract hospitals and State homes; $94,693,000 is for outpatient care activities, including hometown care; and $141,000 is for transfer to the Bureau of Employees' Compensation, Department of Labor.

INPATIENT WORKLOADS

The inpatient workloads to be accomplished with these funds are estimated to be 141,829 daily average beneficiaries, consisting of 112,526 patients receiving care and treatment in VA hospitals; 16,828 members in VA domiciliaries; 2,925 patients in contract hospitals, and 9,550 members in State soldiers' homes. The outpatient workloads are estimated at 3,628,000 medical visits, completion of 32,400 dental-examination cases, and 25,600 dental-treatment cases.

As an indication of the progress being made through the authority contained in Public Law 86–639, which provided for the furnishing of pre- and post-hospitalization medical services to eligible veterans beneficiaries where necessary, more than 24,000 additional hospital patients were treated in fiscal year 1962 than during fiscal year 1961.

I interrupt here to say this is not a cumulative figure but actually an increase when compared with the previous year.

The increase in number of patients treated as a result of faster turnover, even though there was a decrease of 467 in the average daily patient load, indicates our potential to meet increased care and treatment demands of the aging veteran population within the presently authorized 125,000 hospital bed capacity.

The Administrator has indicated that one of our most pressing problems has been the financing of equipment replacement needs in VA hospitals, domiciliaries, and clinics. In coordination with the Bureau of the Budget, a procedure has been established to determine by fiscal year those equipment items which should be replaced in accordance with prescribed equipment replacement standards (equipment life expectancy tables)—just as human beings, we can have life expectancy tables for equipment; extremely important here, Senator, is the fact that in academic circles and in the ordinary voluntary hospital, there is a regular retirement figure, usually about 8 percent, against amortization of major equipment costs—and equipment use standards, and reflecting current replacement costs.

These data provide the basis for the budget estimate for equipment replacement and will eliminate the current replacement backlog in addition to establishing a sound equipment replacement program for each future year. An appropriation increase of $9 million has been included in fiscal year 1963 toward elimination of the backlog and placing the continuing equipment replacement program on a sound basis.

MEDICAL AND PROSTHETIC RESEARCH

For fiscal year 1963, the request for "Medical and prosthetic research" appropriation totals $28 million, comprised of $27 million for medical research and $1 million for prosthetic testing and development. In addition, the "Construction of hospital and domiciliary facilities" estimate for fiscal year 1963 includes $3 million for con-

struction of research facilities, not otherwise provided as an integral part of the modernization or replacement of a complete hospital.

The $27 million now requested for medical research activities in fiscal year 1963 is $2.5 million less than appropriated for this program in the 1962 fiscal year. From testimony of prior years the gentlemen of this committee will recall our position that growth of the Veterans' Administration research program must be keynoted by orderly progression and not subject to development on a crash basis. To assist in this purpose, we have requested, and the House has approved, that funds in this appropriation will remain available until expended.

YEAR-END PURCHASES

Senator ALLOTT. Now, that means that the criticism which has been leveled at most departments of the Government and also at you with respect to year-end purchases will not be necessary.

Dr. MIDDLETON. Would not be a part of ordinary planning, sir.

Senator ALLOTT. Well, we might just as well interrupt this here. We will recess for a minute.

(A short recess was taken.)

Senator ALLOTT. Doctor, I think we will go ahead. Perhaps I acted precipitantly. The chairman couldn't be here this morning and part of yesterday afternoon, and he asked me to go ahead with the hearings, which I did. I presume that he was in the same situation this afternoon. However, he will be here in a moment.

Let us proceed with your statement, anyway.

EXPENDITURES IN 1962

Dr. MIDDLETON. In the 1962 fiscal year, medical research expenditures were slightly under $27 million. During fiscal year 1963 it will be possible to reduce the level of expenditures for supplies and equipment below that experienced in 1962, thereby permitting employment of 232 additional research personnel to provide normal growth in the medical research program. Efforts will be directed to consolidating the gains of previous years and assuring that proper balance and normal growth continue in the program. We believe this can be accomplished without increase over the fiscal year 1962 expenditure level.

Senator ALLOTT. Doctor, with reference to what we were talking about just before the recess for the rollcall—I want to get at that for a moment. Now, as to the $27 million for medical research activities, part of which, of course, will be purchases of equipment——

Dr. MIDDLETON. Yes, sir.

Senator ALLOTT. You requested that these funds be approved or stay available until expended.

Dr. MIDDLETON. Exactly, sir.

Senator ALLOTT. Which will get away from the criticism which has been leveled at many agencies that they end up with a crash program of purchases during the last 30 days.

Dr. MIDDLETON. Certainly this would obviate any temptation to do so.

Senator ALLOTT. I would like to say this, generally, with respect to these others. I have asked other agencies to do this and I would like

to have someone put in the record the purchases month by month, in the Veterans' Administration for the last 12 months.

Dr. MIDDLETON. Yes, that can be supplied.

Senator ALLOTT. Because we have to find some way of stopping—and I don't say that you are any more guilty of it than anyone else—of stopping these rushes to expend everything that is left in the last 30 days.

Dr. MIDDLETON. We can supply it for the record, sir.

Senator ALLOTT. Thank you.

(The information referred to follows:)

VETERANS' ADMINISTRATION—DEPARTMENT OF MEDICINE AND SURGERY

Equipment bought and placed in use, fiscal year 1962, by months

	Medical research appropriation	Medical care appropriation		Medical research appropriation	Medical care appropriation
July [1]	$101,626	$904,673	February	$278,672	$853,367
August [1]	186,858	900,998	March	672,044	1,666,572
September	287,049	1,371,557	April	462,419	992,489
October	227,623	996,861	May	583,758	1,208,080
November	291,535	916,644	June	1,160,256	2,321,034
December	399,301	1,690,104			
January	451,299	911,791	Total	5,102,440	14,734,170

[1] Because of late enactment of fiscal year 1962 appropriation, funds were apportioned by Bureau of the Budget in September 1961. Prior months' operations were by authority of joint resolution which restricted those purchases which could be deferred.

LIMITATION ON PROSTHETIC RESEARCH

Dr. MIDDLETON. The fiscal year 1963 estimate for prosthetic research reflects continuance of the statutory $1 million level formerly in effect. Since enactment of Public Law 729 by the 80th Congress in June 1948, the appropriation for prosthetic research has remained at $1 million each year. Costs of all types have increased markedly since that time, including percentages of overhead charged by contractors. During this period, many research functions formerly supported from other appropriations have been transferred to the prosthetic research program, and costs of new employee fringe benefits have been absorbed within available funds. Thus the scope of work that could be accomplished within the VA prosthetic research program has dwindled steadily.

Senator ALLOTT. Now, Doctor, at this point can you give me a specific example of what has been accomplished in this prosthetic research program in the past year?

HYDRAULIC JOINT

Dr. MIDDLETON. In the past year I think the most notable accomplishment, sir, has been of the hydraulic joint which has greatly improved the mechanical knee joints and it is going to be applied to other joints. This is, of course, an artificial limb in which hydraulic principles rather than pure mechanical principles are involved. It is a greatly improved limb, I can assure you.

DEVICE FOR BLIND

Then there has been at Haverford the elaboration by a blind professor of physics under a contract with the Veterans' Administration of a device that by electronic means indicates approach to objects. He has come into my office, for example, sir, and he has been able to tell whether it was a woman or a man that he was approaching simply by the use of the reflector device and sonar principle of electronics, whether he is coming against a solid object or against an open space. He has as yet been unable to determine the level because he must set it at a 4-foot, 20-foot, or 50-foot zone. He cannot determine a level of steps. But this is a tremendous advance for the blinded veteran and for the blind at large in this country as well as elsewhere.

Senator ALLOTT. Thank you very much.

Dr. MIDDLETON. Public Law No. 87–572 authorizes annual "Prosthetic research" appropriations in excess of the $1 million maximum formerly in effect. A supplemental appropriation of $250,000 will be requested later for fiscal year 1963. The Administrator, Mr. Gleason, brought this out in hearings before this committee.

This increase, extremely modest compared to the extent of inflation since 1948, is essential for the Veterans' Administration to continue its major role in the field of prosthetic research. The increase specifically is required for higher costs of extra VA research contracts, resulting from increased labor and material costs; intensified clinical studies of aids to the blind, bracing, and hearing aids; and generally to bring about great consistency between the level of prosthetic research conducted within the agency and the needs of disabled veteran beneficiaries.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

Appropriation of $13,772,000 under the "Medical administration and miscellaneous operating expenses" appropriation head is requested for fiscal year 1963, consisting of $10,339,000 for medical administration; $1,683,000 for the Office of the Assistant Administrator for Construction; and $1,750,000 for a program of education and training to support the medical care programs. This provides an increase of $395,500 over the fiscal year 1962 availability. The amount requested specifically for administrative support represents less than 1 percent of our total medical program request. The increase is comprised of $82,000 to pay average salary increases for existing staff; $125,000 for the education and training of a greater number of the treatment staff in the medical care programs; and a net increase of $188,500 for 26 additional staff to accomplish increased administrative workloads.

This workload relates to the need for bringing manuals, policy statements, and directive material to a current status, and developing criteria for the long-range hospital major modernization and replacement program. With the increased staff now requested, it should be possible to complete many of these tasks within the next 2 to 3 years.

Despite the steady increase in workloads occurring in Veterans' Administration medical programs since fiscal year 1955, the administrative staff (922) now requested for fiscal year 1963 is 11 percent

less than the number of staff (1,032) similarly engaged in fiscal year 1955.

The $125,000 increase for education and training activities includes $22,000 to pay the increased employee travel rates authorized by Public Law 87–139. The $103,000 remainder will provide educational and training opportunities for a greater number of employees engaged in the direct care of patients in our hospitals and clinics. Through this program new knowledge of medical skills and research advances is imparted to these dedicated workers. I know of no other program where such a small investment brings greater returns to disabled veterans and the American people collectively.

Thank you very much.

TOTAL ON MEDICAL RESEARCH

Senator MAGNUSON. Doctor, what is the total on medical research now? We have changed the——

Dr. MIDDLETON. $27 million for direct medical research support, and $1 million for prosthetic, $28 million in total.

Senator MAGNUSON. $28 million total.

Dr. MIDDLETON. Of appropriated funds.

Senator MAGNUSON. And we have put those all under one; have we not?

Dr. MIDDLETON. Yes, sir.

Senator MAGNUSON. Instead of last year when we had it separated.

FUNDS FOR CONSTRUCTION

Dr. MIDDLETON. Yes, sir; and then there is an added $3 million for construction.

Senator MAGNUSON. For laboratories.

Dr. MIDDLETON. For research construction.

Mr. HANSMAN. For new medical research and prosthetics, the money will be available until expended.

Senator MAGNUSON. Yes; and that is $28 million.

Dr. MIDDLETON. Yes, sir.

Senator MAGNUSON. Now, that is the same as last year.

Dr. MIDDLETON. Yes, sir.

Senator MAGNUSON. $31 million all told?

Dr. MIDDLETON. And last year we did not have the $3 million for construction.

Senator MAGNUSON. Laboratories.

Dr. MIDDLETON. We did not have the $3 million for laboratory——

Senator MAGNUSON. $28 million for research plus $3 million for laboratories, which will be $31 million this year all put together.

Dr. MIDDLETON. Right.

INCREASE IN SALARIES AND BENEFITS

Senator MAGNUSON. And under justification in your chart you had it broken down between the years, and I see that you have less for construction, equipment and construction, than you did in fiscal 1962 and more for salaries and benefits. That looks to be about the only change. The rest of it is about the same.

Mr. HANSMAN. That is correct, sir.

Senator MAGNUSON. Why is that? Why is it $1,100,000 more for salaries and benefits and less for equipment and minor structural changes?

Dr. MIDDLETON. We have in our statement, Senator Magnuson, indicated——

Senator MAGNUSON. I didn't hear that——

Dr. MIDDLETON (continuing). That we do have the same request in the total amount and it is actually $2,500,000 less than appropriated in 1962. As we have indicated, we have by reduction of expenditures of supplies and equipment below that experienced in 1962, permitted the employment of 232 additional personnel to provide normal growth in the research program for 1963. So you see there has been a shift there in emphasis. We feel that——

Senator MAGNUSON. The shift is in research from 2,568 employees in fiscal 1962 to 2,800, approximately, in 1963.

Dr. MIDDLETON. Right, sir.

Senator MAGNUSON. That is the only shift. Otherwise they are about the same. But you have taken out $1,300,000 from equipment and minor structural changes. That is because you didn't need that.

Dr. MIDDLETON. We did not need it, sir.

Senator MAGNUSON. Is that laboratory equipment?

Dr. MIDDLETON. It is, sir.

Senator MAGNUSON. And you have enough of that.

Dr. MIDDLETON. We have.

Senator MAGNUSON. To handle this particular——

Dr. MIDDLETON. Exactly. We feel that shift is justified in balancing the program.

Senator ALLOTT. On that, though, what you have done here, I mean instead of saving the money, you have added 232 employees or taken it out of that.

Dr. MIDDLETON. Normal growth of personnel.

Senator MAGNUSON. More research, that is the difference.

Dr. MIDDLETON. That is right, sir.

INCREASE IN MEDICAL CARE

Senator MAGNUSON. Now, the medical care has gone from $989,371,000 to $1,017 million.

Dr. MIDDLETON. Yes, sir.

Senator MAGNUSON. That has gone up substantially, not substantially but it has gone up.

Dr. MIDDLETON. Materially.

Senator MAGNUSON. As we predicted. Now, why wouldn't you have at least the percentage amount of research consistent with the upping of the medical care?

Dr. MIDDLETON. It is a perfectly sound question, Senator Magnuson, and we have come to a period where we feel that in justice to all concerned, there should be at least a temporary respite and an attempt to judge the gain of the past and project the future. So that this year is a year of balancing.

Senator MAGNUSON. How much did you ask the Budget for?

Dr. MIDDLETON. This is the amount that we asked the Budget for, sir.

Senator MAGNUSON. You didn't ask them for any more and were turned down.

Dr. MIDDLETON. No, sir.

Senator MAGNUSON. You asked them—this is the Veterans' Administration amount asked for and what you got?

Dr. MIDDLETON. That is correct, sir.

Senator MAGNUSON. Now, our friends again suggest that we add a little, that we could reasonably add a little to some of this research in specific items, and I note in your justification—again I don't know whether you fellows agree with me or not on this—but every time we add over what you have suggested, you make a report at the end of the year of what great accomplishments have taken place.

Dr. MIDDLETON. We admit to it, sir.

Senator MAGNUSON. And maybe sometime even though the Budget didn't give you any more or you didn't ask for any more, maybe through your own budget groups or your own meetings within the Veterans' Administration itself, they have suggested some modest additions, and I think pretty well as usual at least to us, gave us some good reasons why.

CANCER RESEARCH

Dr. Farber again suggests that we ought to have about $2 million increase in cancer research because he testified yesterday that he seemed pretty excited about what was going on in the field of chemotherapy and that we might be able to use a little more in that field because of the availability of the veterans' hospitals, which is the greatest laboratory—the greatest proving ground in the world, that we might be able to wisely expend a little more, and then in the field of heart disease, they suggest maybe $1 million or $700,000 more there. I don't remember—I didn't hear all of Dr. Talbott's testimony, whether he said a specific section of research involved, but surely the cancer because he thought in that field that we might be able to use a little more.

And then the plea was made that we have a little more for mental illness because again I don't know whether it is in your testimony or not, but I guess our figures are about the same, aren't they, about every other bed?

Dr. MIDDLETON. Yes. Every other bed, sir.

Senator MAGNUSON. And if we are going to take down the—keep the billion cost on some kind of a plateau or keeping it from rising even higher, that research might contribute to that.

FIELD OF AGING

And then in the field of aging, the justification to add, say, $2 million more there, or thereabouts, was that your line on the veterans patient is going up on the age.

Dr. MIDDLETON. That is correct.

Senator MAGNUSON. And what was the testimony, that over 65 years of age in regard to certain diseases——

Senator ALLOTT. The average——

Senator MAGNUSON (continuing). Is quite a big jump.

Senator ALLOTT. The testimony was that the average age of the patients was now at 51 years, which excludes both Senator Magnuson

and myself. We can't get in. But your number of patients over 65 has jumped considerably.

Dr. MIDDLETON. That is correct.

Mr. DRIVER. About a third.

Senator MAGNUSON. And then the TB thing I think we are all familiar with. We know that.

And then there was a lot of testimony—maybe you could comment on this—by the outside people and I have heard it other than here. We didn't call everybody in that wanted to come or could have come. On the success of these cooperative studies and how the Veterans' Administration hospitals were the one place where you could really get it done and use it. And we suggested that this is a field that we should be sure we have an amount to spend in. You have got that in your justification here.

Dr. MIDDLETON. The cooperative studies, Senator Magnuson, have been extremely productive and are being exploited to the extent that we have present justification.

Senator MAGNUSON. Well, that is chemotherapy, too, isn't it?

STUDIES ON TUBERCULOSIS

Dr. MIDDLETON. In the main. Not always, sir, but we take, first of all, as you have, tuberculosis. It was a model for the rest of the cooperative studies on controlled treatment of tuberculosis when streptomycin first became available. The success of that project is a matter of record. Presently it is the model for not only treatment of tuberculosis in this country but in the world at large.

Senator ALLOTT. Dr. Middleton, what is your present experience with tuberculosis? Is it still on the increase?

Dr. MIDDLETON. No, sir. In 1954 we had in our hospitals 15,960 veterans patients with tuberculosis. At the present time we have in the neighborhood of 7,000; 7,150 is the last figure I had. As to hospitals, at the peak there were 21 hospitals for tuberculosis. There now are six. Two of those hospitals—three of those hospitals presently have been closed. The last at Outwood. The first at Crump Boulevard at Memphis, and then at Waukesha, Wis. The other hospitals have been changed over to other missions so that we have a load of less than half that we had 8 years ago in the field of tuberculosis.

Senator ALLOTT. Then, why, Doctor, do you suppose that in the subcommittee on NIH and related fields these people come in and say, as they have said for the last 2 years, that there is an increase in the incidence of tuberculosis? Now, your testimony today is exactly consistent with what you have testified to before as far as the Veterans' Administration is concerned. And yet they are coming in and asking for more money for research on tuberculosis all the time, claiming that there is an increase in the incidence of tuberculosis.

Dr. MIDDLETON. The point there is well taken, sir. In the first place, the actual incidence of tuberculosis has decreased. However, it is not a whipped disease. In other words, we are still having a considerable amount of tuberculosis. It is being recognized earlier and treated in a much better fashion with better results. So that they are not occupying the beds as they did before.

From a level of 325 days occupancy, on the average we are now down to something in the order of 250 days, 254 days. That means the patients are getting out sooner and being treated on an ambulant basis.

As I say, they are recognized earlier and treated better, so that so far as the demand for beds is concerned, there is a sharp decrease. As you know, sanitoria all over the country are closing or being diverted to other purposes. In the important fundamental sense, the folks who are representing other agencies are correct. The disease is one in which there are emerging resistant strains of tubercle bacilli which are very hard to combat with even the agents we have for the chemical treatment of tuberculosis, and the ambulant treatment has meant that some of these people who are sent back to the public, are actually acting as carrier in the spread of tuberculosis.

Senator ALLOTT. In Denver, we have the Jewish Consumptive Relief Society with which I have been very proud to be associated in various respects, which is now converted to the American Medical Center, and they have found in the past few years that it has been necessary almost to completely change the orientation of their good work, their charitable work.

They have done such fine work with tuberculosis, but the demand for the tubercula beds is now lower and it has changed to the extent that they have had to change that fine medical center and fine research center almost entirely to terminal cases of cancer and other things.

Dr. MIDDLETON. Chronic nontuberculous pulmonary conditions. Yes. That has been the story the country over, sir. Insofar as other cooperative studies, I believe this committee would be interested in the chemotherapy of cancer in that at the National Cancer Institute there are developed new drugs and new chemicals, and when their toxicity and when their usefulness is established, our pool of some 20,000 veterans with cancer is a natural trial area for such agent.

OTHER COOPERATIVE STUDIES

Now this, of course, applies in other cooperative studies such as hypertension, heart disease, coronary thrombosis, and the like. So that there are presently—Dr. Musser, how many cooperative studies?

Senator MAGNUSON. Quite a few here listed. We will put it in the record. They are on page 20–6 of your justification.

Dr. MUSSER. Twenty-eight.

Senator MAGNUSON. Quite a few of them.

Dr. MIDDLETON. So that we are exploiting this area, sir.

Senator MAGNUSON. These people—I know my own university medical school was pleased with this program because it gets everybody into the act and they communicate back and forth.

Dr. MIDDLETON. The Seattle Veterans' Administration Hospital is one of our most active research centers.

Senator MAGNUSON. Research, and all over, what a good job has been done in this field because of the availability, as I say——

Dr. MIDDLETON. And the controlled population.

Senator MAGNUSON. Controlled population, good records.

Senator ALLOTT. Is there any of this being carried on at Fitzsimons?

Dr. MIDDLETON. Fitzsimons, of course, is an Army hospital, but at the Denver Veterans' Administration, there is a very active program.

Senator ALLOTT. Very active program.

Dr. MIDDLETON. Very active; yes, sir.

Senator ALLOTT. Mr. Chairman, I want to say something here. I have heard Dr. Farber, also Dr. Talbott, before, and I don't want to discredit these men's scientific ability or their contribution, either one. But I must say in listening to Dr. Farber many times—and I say this advisedly, many times—I have never heard Dr. Farber testify to anything except that you could use x number of millions of dollars more than is being used. I think in this Veterans' Administration research, the thing that Dr. Middleton and you have emphasized over and over is that the real value of this lies in the fact that we have an orderly progression of these research facilities, not with the idea of attempting to take over all the cancer research, for example, or all of the tuberculosis research or something else, but that we have an orderly progression of this program within the Veterans' Administration where we do have control and longtime control of case records and case histories which are not available to anybody else.

I voice the thought that if we try to go too fast in this matter that perhaps we could destroy the element that is of the greatest value here which is that of more and more people, competent people, gradually being brought into the program so that you have an orderly development on it, so that each step reflects a solid basis upon which to build again. I say this with all respect to the ability of Dr. Farber—his professional ability is unquestioned—but this doesn't necessarily mean that he is primarily interested or concerned with matters of budget, and somewhere there has to be a concern for a budget even in research. We can easily appropriate $50 billion to cancer research but there is the question of budgetary priorities.

Senator MAGNUSON. Well, but the point I make here, with all due respect to my friends across the table, once in a while they aren't particularly skimpy themselves on this program. They like to see it progress such as it has and the great results we get. I think we get better results out of a research dollar here in all frankness than some we give to the NIH.

Senator ALLOTT. I would not argue with that. I agree with you.

Senator MAGNUSON. I just know that. These people, these other people who are interested might be a little bit—they might go a little bit too far the other way, but I think because we do get—every year you see what they get out of it here, even when we have added it over and above what they thought they could use or what the budget thought they could use, that if we are going to err a little bit, when we have got a billion dollar bill to pay, that it wouldn't hurt to err a little bit on the other side. We might save a little of that billion dollars for a very small amount of money and not let alone the suffering and the humane part of it. But we go through this every year and then we get in the middle some place and we give—you get a little more, but I always found that when you had a little more than maybe the Budget would let you have, that every year you come back with some pretty good results for the dollar.

I said yesterday, and I may be wrong, but I think this billion dollar bill, staggering as it is, without what we have been talking about, Dr. Middleton, and you folks doing so well on this over the years would be quite a bit higher. I have no doubt about it. It is high enough but I think it would have been much higher if these things hadn't——

LONG-RANGE MEDICAL RESEARCH PLAN

Mr. MONK. We have worked out, though, Senator, with our research people a long-range 10-year plan for medical research which provides for an orderly progression and they can plan on this basis. What happens when we go up and down, administratively it is a very difficult thing to handle and you do end up at the end of the year, and you haven't been able to employ the people: you spend the money for equipment.

Senator MAGNUSON. Turn it back.

Mr. MONK. You know this never happens.

Senator MAGNUSON. Sure it happens. It happens quite often. I mean, I would rather have you have a little bit, a little padding there so you can do this——

Mr. MONK. With a no-year appropriation, it will be helpful.

Senator MAGNUSON. Yes. A little padding there. And we haven't gone up and down too much. We have come pretty much in the middle, a matter of $3 million or $4 million, back and forth. That is about it. And in some of these programs you have been able to use it very wisely because it was there.

Mr. DRIVER. So long as we understand we may carry it over rather than just crash spend it.

Senator MAGNUSON. This would be helpful and just think that is why we look at these things.

Mr. HANSMAN. In getting some of these researchers, as Dr. Middleton and Dr. Musser will testify, they are long leadtime articles. The kind of people Dr. Middleton and Dr. Musser want are extremely competent people and we have difficulty getting them.

Also another fact bearing on the problem, we are now in the sceond month of the fiscal year. So the appropriation time cycle——

Senator MAGNUSON. You have got to pay the salaries during this month. That takes it out of here.

ADEQUACY OF LABORATORY CONSTRUCTION FUNDS

I just have one other thing. This is something I have no knowledge of or idea, but is the $3 million for laboratory construction really enough?

Mr. MIDDLETON. The $3 million, of course, is against a figure that we had projected when it was given, $22 million backlog, and we felt it was a perfectly fair breakthrough. Actually, Senator Magnuson, it is only the second breakthrough. You recall that we had 2 years ago $1.2 million. Last year we had none. This year it is $3 million. And all the construction that we have had has been eked out of the other funds, general construction funds.

Senator MAGNUSON. Can you use—supposing you needed, say, in this program—supposing you needed more than $3 million. Could you still use some of the other funds?

Mr. SHYTLE. Yes, sir.

Mr. DRIVER. Yes; we could.

Senator MAGNUSON. In other words, you could do that.

Mr. DRIVER. Those are carryover funds.

Senator MAGNUSON. Because if we should add a little more here, I would think you would have to add a little more in ratio to your laboratory construction.

Dr. MIDDLETON. That is correct.

Senator MAGNUSON. Not too much. Whatever the ratio is.

Mr. SHYTLE. The $3 million specifically allocated in the "Construction" appropriation request for research space is in addition to any research space that is built in our major modernization and improvement program.

Senator MAGNUSON. Yes; you have the two items.

Mr. SHYTLE. That is right.

Senator MAGNUSON. Because in some hospitals you actually physically separate these.

Mr. SHYTLE. That is right. The $3 million we use for specific projects where we can expand in a certain research operation. Where we have a modernization program, the research space is not charged to that $3 million.

Mr. HANSMAN. For instance, at Durham, N.C., that is a relatively new hospital that is not scheduled for replacement or modernization. So in our budget, as you may see, we have a special project down there for research construction. It runs $1,264,000 and is scheduled for 1963.

Senator MAGNUSON. How much—are we down any on the out patient care?

Dr. MIDDLETON. No, sir; we are not.

Senator MAGNUSON. Put it the other way. Are we doing more to put patients out?

That is what I want to know.

DISCHARGE RATE

Dr. MIDDLETON. We had a discharge rate last year of just over 24,000 more than the previous year, which means we were utilizing our beds to much greater advantage.

Senator MAGNUSON. So that program works. You utilize the beds more and we are doing more in that field.

Dr. MIDDLETON. That is correct.

Senator MAGNUSON. We have been able to, I guess the term "farm out" is—that is exactly what you do.

Dr. MIDDLETON. It is.

Senator MAGNUSON. And these people seem to get along even better than if you keep them in the hospital.

Dr. MIDDLETON. Much better.

Senator MAGNUSON. Freer.

Mr. HANSMAN. You see, Senator, that is really the basis of our restoration center concept, moving the people out of the hospital environment, using our hospitals only for acute illnesses and getting the man back into his own community and preferably into his own home.

DECREASE IN DAILY PATIENTLOAD

Senator ALLOTT. I think, Mr. Chairman, on this thing the most astounding figure is in Dr. Middleton's statement at the bottom of page 1 and the top of page 2 where he said that they took care of

24,000 more hospital patients last year than they did in 1961, but still had a decrease in the daily patientload of 467 people, which to me is an astounding figure.

Senator MAGNUSON. There was some mention made of trying to eliminate a lot of the 24-hour stays. What is the program on that?

Dr. MIDDLETON. The 24-hour stay is the circumstance of patients who are coming back for a checkup, you see, and instead of——

Senator MAGNUSON. Keeping them the 1 day.

Dr. MIDDLETON. That is right. Instead of doing that, on post-hospital care these people can come in on an outpatient basis rather than being admitted to the hospital.

Senator MAGNUSON. I see. And that will also give you more flexibility.

Dr. MIDDLETON. You can use that bed more frequently.

Senator MAGNUSON. More flexibility in the hospital.

LOCATION OF CONSTRUCTION PROJECTS

Now, I just want to ask, under the construction program of $75 million, what specific places does that call for?

Dr. MIDDLETON. We have three hospitals that are in order of construction: One in Miami, one in Atlanta, the other Memphis. And there are——

Senator MAGNUSON. Atlanta, Memphis.

Dr. MIDDLETON. And Miami.

Senator MAGNUSON. And Miami.

Dr. MIDDLETON. And there are two for which the technical services are available.

BAY PINES

Senator MAGNUSON. This has nothing to do with Bay Pines.

Dr. MIDDLETON. No, sir. I haven't heard about Bay Pines.

Senator MAGNUSON. We have been briefed on that so long we know it by heart.

Dr. MIDDLETON. And there are two for which technical services have been provided, and they are the one at Gainesville and the other at Temple.

Senator MAGNUSON. Now, this carries out again your planned program.

Dr. MIDDLETON. Long term.

Senator MAGNUSON. Long-term program.

I have no further questions.

OVERHEAD CHARGED BY COMMERCIAL RESEARCH CONTRACTORS

Senator ALLOTT. I have a couple of questions. On page 3 of your statement, Doctor, you talked about in the middle of the page the increase of various things, and you talked about particularly the percentages of overhead charged by contractors.

Now, we have been through this in at least three different areas in the appropriations in the NIH field, generally, in the Defense field, in research, and I know that many of us have a concern about the constant increase of overhead charged by contractors.

What is your policy?

Dr. MIDDLETON. I am sorry, sir. This is somewhat at variance with that of the academic overhead. This has to do with actual contracts made with commercial concerns and research laboratories for the implementation of plans for improvement of various prosthetic devices, and it is not like the overhead that is ordinarily related to a university or medical school grant.

Senator ALLOTT. All right. The universities and medical schools come to us with this story and say, "Well, you are really climbing down our throats because actually what we charge by way of direct costs and indirect costs on overhead for research projects are just small potatoes as compared with what the private enterprise people are charging."

Now, what do you have on that?

Mr. BAKER. These are commercial contracts, calling for a specific result or product rather than the type of research grant that universities and schools have been discussing. This is management costs for the commercial activity.

Senator ALLOTT. Have you any idea what percentage it would run?

Dr. MIDDLETON. It is very high, but it has nothing to do with housekeeping, heat, light, and so forth, such as the universities or medical schools are charging against overhead. But we can give you those figures. We do not have them here.

Senator ALLOTT. I think it would be wise if you did provide us with some figures because we have been constantly told that overhead on these private contracts is much larger than we were being involved with in the universities.

Now, I would like to——

Dr. MIDDLETON. Pardon me, sir. The connotation is entirely different, as we shall show you when we render these figures.

Senator ALLOTT. Will you do that for us?

Dr. MIDDLETON. Yes, sir.

(The information referred to follows:)

The following list of contracts for research shows the percent of overhead allowed on each contract, subject to audit and retroactive adjustment based on findings of the Army, Air Force, or Navy auditors. These contracts call for specific performance of certain functions and the delivery of tangible results or products; thus, should be distinguished from research grants which usually are charged with a percentage factor to cover the institutional overhead applicable to administering the grant.

OVERHEAD RATE ON PROSTHETIC RESEARCH CONTRACTS

Battelle Memorial Institute: Contract, 60 percent of total salaries and wages (provisional).[1]

Bionic Instruments, Inc., formerly Biophysical Electronics, a division of Communications Industries, Inc.: Cost to the contractor plus 20 percent.

University of California: 33 percent on campus and 13 percent off campus of salaries and wages.

Dr. John G. Esslinger: None.

Haskins Laboratories, Inc.: 50 percent of total salaries and wages.

Haverford College: Not to exceed 10 percent of total allotment.

Houston Speech and Hearing Center: 10 percent of direct costs.

Mauch Laboratories, Inc.: 63 percent of total salaries and wages (provisional)[1] and in addition thereto a "fixed fee."

Metfessel Laboratories: 15 percent of direct costs.

[1] Provisional: Contract rates cited are subject to retroactive adjustment to actual overhead based on audit findings at the close of the fiscal year.

National Academy of Sciences: 22 percent of total costs.
New York University: 28 percent of total salaries and wages.
Northwestern University: 33 to 52 percent of total salaries and wages (provisional).[1]

All of the above rates (except Bionic Instruments) are established by Army, Navy, or Air Force audits based on the audit guides prescribed by each department for determining indirect costs.

RESEARCH SERVICE OVERHEAD ON RESEARCH CONTRACTS

The following represent amounts obligated for contracts in fiscal year 1963:

Vam-22734. National Research Council: For followup studies and statistical services $176,400

V1001-175. National Research Council: For studies in tumor pathology 30,000

V1001-1044. National Research Council: For partial cost of preparation of atlas of tumor pathology 6,500

On the above 3 contracts the rate of overhead is set provisionally at 22 percent, subject to retroactive adjustment if audit by one of the military departments of the Department of Defense justifies increase or decrease. This audit has usually been done by a Navy office. Retroactive adjustment, if required by the audit must be made before the expiration of the contract (in the above cases June 30, 1963) by amendment to the contract.

V1001M-3740. Smithsonian Institution: Partial support of the Science Information Exchange 65,000

On the above contract the overhead rate has been set at 6 percent of direct costs, which rate was "administratively predetermined to be a fair rate for such overhead."

V1005P-9539. University of North Carolina: Statistical services for a cooperative study 11,978

On the above contract a rate of 15 percent of direct costs was administratively determined to be a fair rate for office space, heat, light, custodial services.

V1005P-9571. System Development Corp.: Support of pt. II of the contract, for developing a prototype research support center 119,272

The above contract was negotiated as a cost-plus-fixed-fee contract in which direct costs were estimated not to exceed $111,472 and the fixed fee was set at $7,800, which is approximately 8 percent.

VETERANS HOSPITAL ELIGIBILITY REQUIREMENTS

Senator ALLOTT. I would like to go back to one thing we discussed last year at the end of our testimony, and that was the entrance requirements for entrance into veterans' hospitals. You were going to do some work on it this year. I would like to know what has been done and where we are.

Dr. MIDDLETON. The eligibility requirements?

Senator ALLOTT. Yes.

Dr. MIDDLETON. For admission to our hospitals? They are—the first priority is to the service-connected veteran for whom there is no limitation regardless of any financial or economic condition or otherwise.

The second priority is for the veteran with service-connected disability who has some collateral illness and he then is admitted without question.

Senator ALLOTT. Regardless of his finances?

Dr. MIDDLETON. Correct, sir. The third is the non-service-connected veteran, and then you start to break those down and there is a total of—Dr. Gluckman, how many? There are several. We have

[1] Provisional: Contract rates cited are subject to retroactive adjustment to actual overhead based on audit findings at the close of the fiscal year.

put in the ninth one, I am sure, but there are a series of priorities determined by his medical condition.

Of course, this does not relate to the emergent patient. Any emergent condition is treated as such and he is admitted until his eligibility can be established. But the sharp differentiation is between the service connected and nonservice connected.

Senator ALLOTT. Well, I don't think any of us have any real question about service-connected illnesses. My real concern has always been with the non-service-connected illness or injury, whatever it may be, with a person who has the financial means to care for himself and still utilizes the Federal Government.

Mr. DRIVER. Senator, you know we don't have the authority to exclude him, but we have over the past several years done our best to remind the veteran of his obligation when he signs a statement to the effect that he can't afford to pay for the hospitalization that is not service connected, of his obligations to himself on his oath and to the Government, and to facilitate this, we developed several years ago an addendum to the hospital application which he had to sign indicating his ability to pay.

Now, most recently Dr. Middleton and his staff have examined this at great length. They have revised the form. They have I think sharpened the questions as to asset holdings on the part of the applicant and his income, his financial picture, to the point where when he signs that statement which is, I might say, in cases that we find above a certain level financially, preceded by counseling by somebody at the hospital level, when he gets to the point of signing the statement that he can't afford to pay, we are pretty well satisfied that he does have a clear picture in his mind.

But I hasten to add, if he still says I cannot afford to pay, we do not have the authority to go behind his statement.

Senator ALLOTT. All right. Now, what is the section of the law that gives him this right?

Mr. DRIVER. Could I at this point give you a copy of the new procedures that we have just published on this subject?

Senator ALLOTT. Yes, sir. I am informed I have a copy of this in my office, but I haven't had an opportunity to study it yet.

Mr. DRIVER. Do you want the section of the law that states that we must admit him on his statement? We can insert that——

Senator ALLOTT. Will you insert that in the record?

Mr. DRIVER. Reference to title 38; yes, sir. Our efforts have been, as I say, along the lines of counseling so that he knows his own true picture at the time he makes the statement under oath that he can or cannot afford to pay.

Dr. MIDDLETON. But we are still obligated to admit him.

Senator ALLOTT. Even if he signs it.

Mr. DRIVER. Yes. We are talking only about the nonemergents, the non-service-connected case. If it is a question of a man's life or limb or something like that, we take the man in and look at his status later. We are going to treat the sick person.

Senator ALLOTT. I undestand.

Senator MAGNUSON. What if you find that he has the ability to pay but he can't get in any place else?

Mr. MONK. We would not have the authority under the law to admit him.

Mr. DRIVER. If he says he has the ability to pay, he is excluded by law.

Senator MAGNUSON. He just has to go some place else.

Mr. DRIVER. Yes, sir.

Senator MAGNUSON. There have been some cases where I guess——

Mr. DRIVER. This wouldn't ordinarily be the case.

Senator MAGNUSON. No. But once in awhile you do run into one. Places are loaded all around him and he turns to the Veteran's Administration hospital because he doesn't know where else to go.

Mr. DRIVER. If this was an emergent case, we wouldn't even talk about ability to pay. We take him in and treat him before we get down to that. It is only the case where he has elective surgery or something not acutely vital to his health.

BASIC LEGISLATION

Mr. MONK. Senator, this section is section 622 of the statement under oath and it reads:

For the purposes of section 610(a)(1), section 610(b)(2), and section 624(c) of this title—

all of which relate to admissions to the hospitals—

the statement under oath of an applicant on such forms as may be prescribed by the Administrator, shall be accepted as sufficient evidence of inability to defray these expenses.

Senator ALLOTT. I am happy that you put that language in. That is what I wanted to know.

I don't have anything else, Mr. Chairman.

Senator MAGNUSON. I don't either.

Senator Ellender?

PENSIONS AND COMPENSATION FOR VETERANS

Senator ELLENDER. I was a little bit interested in the pensions here for veterans and compensation. I notice the House gave you the budget estimate but in a little different form, separated it.

Mr. MONK. Yes, sir. We had asked that the compensation and pension and readjustment of benefits appropriations be combined into one appropriation, veterans benefits appropriation, but the House decided they should not do that, but they gave us the amount we requested for each element of the appropriation.

Senator ELLENDER. Well, the total as I see here of the compensation and pensions to living veterans and the deceased veterans in all wars is $3,923,500,000.

Mr. DRIVER. $3,923,500,000 for all direct benefits.

Senator ELLENDER. $3,923,500,000.

Mr. DRIVER. Yes, sir.

Senator ELLENDER. Now, as I recall, this does not include the pensions that are paid to retired officers? That is another category.

Mr. DRIVER. It includes some. We do have——

Senator ELLENDER. We have another appropriation somewhere that provides $1,060 million for retired officers.

Mr. DRIVER. Yes, sir. That is the regular retirement. On page 8–4, under "Miscellaneous," you will notice that there is almost $3

million devoted to retired officers who are in certain categories specified by law.

Senator ELLENDER. That is in addition——

Mr. DRIVER. That is the emergency officers retirement.

Senator ELLENDER. That is in addition to the $1,060 million that I spoke of.

Mr. DRIVER. That is right.

Senator ELLENDER. And this is, of course, on the increase, I presume, as the Korean soldiers became entitled to compensation.

Mr. DRIVER. Yes, sir.

Senator ELLENDER. And pensions.

Mr. DRIVER. The compensation roll is going down, as you will notice. It reached its peak in 1960 but it will continue to decline steadily now. The pensions, on the other hand will increase and will exceed compensation in 1965.

Senator ELLENDER. And we are told by those who are supposed to know that the category of pensions for officers, which is not included here, will increase by 1972 from $1,060 million to about $2-billion-plus and by 1980 it will be about $3-billion-plus.

Mr. DRIVER. You must be referring to pensions for veterans.

Senator ELLENDER. No. Not veterans. This is for——

Mr. DRIVER. The figures parallel pretty well the pension program of the Veterans' Administration.

Senator ELLENDER. Yes. It shows you the amount of fixed charges that is saddled on the taxpayers.

In your shop I notice here the total amount which includes hospitalization, medical care, and pensions and compensation, aggregates $5,248,833,000. Is that right?

Mr. DRIVER. That is right.

Senator ELLENDER. Do you know of anything else that is being paid to veterans that you don't handle?

EMPLOYMENT BENEFITS FOR VETERANS

Mr. DRIVER. Well, there are certain employment benefits administered by the Department of Labor. There would be——

Senator ELLENDER. They work for that, though, don't they?

Mr. DRIVER. Well, I am thinking of giving them job opportunities and that sort of thing. This would be the Department of Labor. The Civil Service Commission undoubtedly would have some veterans preference program and that sort of thing.

Senator ELLENDER. But they work for that.

Mr. DRIVER. Yes, sir.

Senator ELLENDER. I am speaking of moneys that we appropriate in order to take care of them some way or other.

Mr. DRIVER. I can think of none other than State programs, Senator. There are State programs.

Senator ELLENDER. Bonuses.

Mr. DRIVER. Yes, sir. And some States—California comes to mind right away—they have a fine housing program, making mortgage money available. And Hawaii does.

Mr. HANSMAN. Also State veterans' farmland purchase programs, such as the one in Texas.

Mr. DRIVER. Many States run State homes.

Senator ELLENDER. What I had in mind is the Federal end of it.
Mr. DRIVER. No, sir.
Senator ELLENDER. Thank you.

OAKLAND ESTABLISHMENT

Senator MAGNUSON. What have you done with the Oakland establishment?
Dr. MIDDLETON. The Oakland establishment has had nothing done to it, sir. At the present time we are clearing up and getting ready to move over to Martinez.
Senator MAGNUSON. What will you do with the Oakland establishment?
Dr. MIDDLETON. It will be declared surplus.
Senator ALLOTT. Is that new construction——
Dr. MIDDLETON. No, sir, that is—Martinez is a new hospital.
Senator ALLOTT. I was going to say is that new construction coming along all right?
Mr. ASHBRIDGE. Yes, sir, it is. I was just out there, on Monday, as a matter of fact. It is coming along very nicely. It should be finished by early spring and the medical people are planning to move in by July of next year.

FORECLOSURES ON VETERANS LOANS

Senator MAGNUSON. The Housing and Home Finance people, Dr. Weaver's group, testified that the foreclosures on the outside were greater than the GI, the veterans foreclosures. Can anybody answer to that? You were here, weren't you?
Mr. BROWNSTEIN. No, sir. I was not here during that testimony. I don't know specifically to what they were referring.
Senator MAGNUSON. What is our percentage? Is our percentage up over last year?
Mr. BROWNSTEIN. Yes.
Senator MAGNUSON. How much?
Mr. BROWNSTEIN. A total of about 1½ percent of the total number of loans guaranteed have been foreclosed, Senator Magnuson.
Senator ALLOTT. That compares, Mr. Chairman, if I recall correctly, with the figure of 1.8.
Senator MAGNUSON. 1.8 generally.
Senator ALLOTT. Given to us by FHA.
Senator MAGNUSON. How much of an increase is that percentagewise?
Mr. BROWNSTEIN. Well, it is an increase, Senator, from last year—I have the figures here. In fiscal 1961 we acquired 14,601 properties, and in fiscal 1962, 21,165. So this would be an increase of just about 50 percent.
Senator MAGNUSON. Fifty percent in 1 year. Are they spotted?
Mr. BROWNSTEIN. Yes, sir; they are. As a matter of fact, the properties that we have on hand are pretty well located in about 16 different locations. Eighty percent of the properties that we have are in these locations and we originated loans totaling about 45 percent of our total in these same areas.

Senator MAGNUSON. Are you having any problems on resale or refinancing?

Mr. BROWNSTEIN. Sales are picking up, Senator Magnuson. They are somewhat slow, but they have improved. Last year we sold 13,974. That compares with 9,962 in fiscal 1961.

Senator MAGNUSON. Are the sales running a little bit near or above the investment we put in?

Mr. BROWNSTEIN. We find that our resale price is just about the original cost less foreclosure and resale expenses.

Senator MAGNUSON. So we are doing as of now fairly well with our resale.

Mr. BROWNSTEIN. Yes, sir.

Senator ALLOTT. You mean the original price and not the Government's balance of loan?

Mr. BROWNSTEIN. The original cost, yes, Senator.

Senator ALLOTT. All right.

Senator ELLENDER. You don't take into account money that has been paid in the meantime by the veterans? Wouldn't that decrease the original cost?

Mr. BROWNSTEIN. Well, unfortunately you find, Senator Ellender, in the majority of these cases after you add the interest and the advances that may have been made for taxes and insurance, there has been very little reduction in the original principal amount of the loan.

Mr. DRIVER. Our foreclosures usually come early in the life of the loan.

Senator ELLENDER. Yes. So that there is very little repayment reflected.

Mr. DRIVER. Not much opportunity for that, yes, sir.

Senator ELLENDER. What is the condition of those houses? Do they usually take good care of them when they occupy them?

Mr. BROWNSTEIN. Well, this, of course, will vary a good deal. Before we sell them, however, we rehabilitate them.

Senator ELLENDER. Do you get your money back out of this rehabilitation?

Mr. BROWNSTEIN. Yes, and of course you have to make them attractive in order to sell them.

TOTAL HOUSES ON HAND

Senator ELLENDER. How many houses did you say you have on hand now?

Mr. BROWNSTEIN. 18,045.

Senator ELLENDER. 18,045. Well, have you a way to tell how much you are out on this whole deal, veterans housing?

Mr. BROWNSTEIN. Yes, sir.

Senator ELLENDER. How much you are short of what we invested in that originally?

Mr. BROWNSTEIN. In order to give you the figure on this, Senator Ellender, we have to take into account the amount for which we resell the properties, consider what we believe to be the market value of the 18,000 properties that we now own, give effect to the indebtedness of the veteran that we have collected and in many cases we have collected these deficiencies, and also the payments that we have made

on the resale of the properties, including interest, adding up all of these factors, the total cost of the program through December 31, 1961, was about $15 million or about three-one hundredths of 1 percent of the original principal amount.

Mr. DRIVER. This has been in connection with nearly 6 million home loans involving about $53 billion guaranteed or insured financing that has been paid down to about $29 billion.

Senator ELLENDER. It is much less than I thought it was.

Now, you say the foreclosure costs—about what does that average per unit?

Mr. BROWNSTEIN. This will vary from State to State but foreclosure and acquisition costs probably will average out at around $500 to $600.

Senator ELLENDER. $500 to $600. Now, is it necessary in all cases that you go to court and seize it and advertise it for sale?

Mr. BROWNSTEIN. No. We encourage the acceptance of deeds in lieu of foreclosure where the veteran is in trouble and he has no alternative but to get rid of the property, and there are no intervening liens or other legal impediments, and in this case, of course, there is no court foreclosure nor is there an advertisement.

Senator ELLENDER. Well, the cost there is much lower.

Mr. BROWNSTEIN. Yes; that is right.

Senator ELLENDER. Just the sale, thank you.

Senator MAGNUSON. I have no further questions.

Senator ALLOTT. I have no further questions.

Senator MAGNUSON. Thank you, gentlemen.

(Whereupon, at 3:23 p.m., Wednesday, August 15, 1962, the committee was in recess, to reconvene at 10 a.m., August 16, 1962.)

INDEPENDENT OFFICES APPROPRIATIONS FOR 1963

THURSDAY, AUGUST 16, 1962

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to recess, in room F-37, the Capitol, Hon. Warren G. Magnuson (chairman) presiding.

Present: Senators Magnuson, Ellender, Allott, and Young.

SECURITIES AND EXCHANGE COMMISSION

STATEMENT OF WILLIAM L. CARY, CHAIRMAN; ACCOMPANIED BY BYRON D. WOODSIDE, COMMISSIONER; JACK WHITNEY II, COMMISSIONER; MILTON H. COHEN, DIRECTOR, SPECIAL STUDY OF SECURITIES MARKETS; EDMOND H. WORTHY, DIRECTOR, DIVISION OF CORPORATION FINANCE; PHILIP A. LOOMIS, JR., DIRECTOR OF TRADING AND EXCHANGES; ARTHUR FLEISCHER, JR., EXECUTIVE ASSISTANT TO THE CHAIRMAN; AND FRANK J. DONATY, COMPTROLLER

LETTER FROM AGENCY

Senator MAGNUSON. The committee will come to order.

This is the Securities and Exchange Commission. The Chairman is here, Mr. Cary, and we will put a list of those accompanying him into the record.

And we will put your letter in the record.

Mr. CARY. All right, sir.

(The letter referred to follows:)

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., August 2, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: In response to your letter of July 27, 1962, the action taken by the House on funds for the Commission is acceptable as provided in H.R. 12711, the independent offices appropriation bill, 1963.

Sincerely yours,

WILLIAM L. CARY, *Chairman.*

JUSTIFICATIONS

Senator MAGNUSON. Then, for the purposes of the record, your appropriations for 1962 were $11,412,500, and the budget estimate for 1963 was $12,800,000, and the House recommended that amount. Your letter of January 16, 1962, to the subcommittee, setting forth the justifications for this increase in funds will be placed in the record at this point.

(The information referred to follows:)

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., January 16, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Appropriation,
U.S. Senate, Washington, D.C.

DEAR SENATOR MAGNUSON: Attached is the 1963 budget estimate of the Securities and Exchange Commission in the aggregate amount of $12,800,000. The appropriation for fiscal 1962 is in the amount of $11,412,500, including the sum of $412,500 to cover the cost of the study and investigation of national securities exchanges and national securities associations.

As indicated in the following tabulation, a significant proportion of the costs for 1963 will be offset by statutory fees, other revenue collected by the Commission and additional fees to be collected if the existing proposed legislation is enacted by the Congress. These funds are deposited in the general fund of the Treasury and are not available for expenditure by the Commission.

1962 appropriation		$11,412,500
Additions for 1963:		
Net cost of personal services	$1,223,300	
Other expenses	164,200	
		1,387,500
1963 estimate (includes $337,500 to complete the above-mentioned study and investigation)		12,800,000
Less: Estimated fees to be collected under existing legislation		3,522,000
Subtotal		9,278,000
Less: Estimated fees to be collected if S. 755 is enacted by the Congress		2,950,000
Net cost of operations		6,328,000

For 1963, the Commission is requesting 155 additional positions in order to carry out effectively the administration of the Federal securities laws enacted by the Congress for the protection of the investing public. Distribution of the additional positions covered by this estimate is as follows:

Program:	*Number of additional positions*
Full disclosure	66
Investigations including administrative, civil and criminal proceedings	67
Regulation and inspection of investment companies	14
Other programs	8
Total	155

As described briefly in succeeding pages, there continues to be substantial backlogs of work which appear to be insurmountable under present manpower limitations. The Commission has taken every measure available to it to alleviate this situation, but has been unable to cope with the overwhelming influx of work which, for certain programs, is uncontrollable. The only alternative is that we be permitted to expand our staff to a number more nearly proportionate to our current workload.

FULL DISCLOSURE PROGRAM

All work relating to this program is performed by the Division of Corporation Finance, except for the examination of regulation A filings which is a function of the regional offices. The Commission is requesting 66 additional positions

for this program—58 in the Division and 8 for the regional offices. The additional positions are required to achieve the following objectives:

(1) To examine an estimated 2,400 registration statements;

(2) To reduce from 50 days to 40 days the median elapsed time for clearance of a registration statement;

(3) To conclude the effective disposition of enforcement actions, which have been delayed;

(4) To reduce the backlog of unexamined corporate reports, which is endangering the interests of investors;

(5) To examine an estimated total of 1,300 regulation A filings; and

(6) To expedite stop-order proceedings and other administrative actions.

As demonstrated in the following tabulation, the volume of filings to be processed has increased far beyond the capacity of our present staff. The indicated estimated elapsed time of 55 days in 1961 for processing the median registration statement is about three times that which was originally contemplated by the Securities Act of 1933. The additional 58 positions requested will enable the Division to make substantial progress in this area.

Fiscal year	Pending, beginning of year	Registration statements		Pending, end of year	Elapsed time
		Filed	Examined		
1958	105	913	873	145	24
1959	145	1,226	1,119	252	28
1960	252	1,628	1,545	335	43
1961	335	1,830	1,650	515	55
1962 (estimated)	515	2,100	2,100	515	50
1963 (estimated)	515	2,200	2,400	315	40

In evaluating these forecasts, it is important to remember that a significant and growing percentage of new filings relates to companies which have not previously offered securities to the public. For the past 6 months, approximately 70 percent of the filings fall under this category as compared with about 30 percent only a few years ago. Registration statements filed by such concerns are very often substantially deficient, and their review requires on the average about 30 percent more time than is normally necessary in order to examine the issue of securities of more experienced companies.

We are being subjected also to an unexpectedly heavy increase in the number of filings under regulation A in the regional offices, in which it is impracticable to shift personnel because of heavy workloads in other programs. Eight additional positions will be required in 1963 to reduce the backlog of regulation A filings shown in the following table. These positions are required also for the purpose of issuing suspension orders and pursue investigations on a more expeditious basis.

Fiscal year	Pending, beginning of year	Regulation A filings		Pending, end of year
		Filed	Examined	
1958	130	732	742	120
1959	120	54	827	147
1960	147	1,049	853	343
1961	343	1,057	1,111	289
1962 (estimated)	289	1,150	1,239	200
1963 (estimated)	200	1,230	1,300	130

INVESTIGATIONS PROGRAM INCLUDING ADMINISTRATIVE, CIVIL AND CRIMINAL PROCEEDINGS

The fraudulent sale of securities remains as another major problem for the Commission. Because activity in the securities markets and public interest in securities remains at such a high level, a fertile field for fraud and manipulation in the sale of securities continues to exist. The Commission is quite concerned over the increasing number of illegal transactions in the securities markets which have come to its attention. On December 31, 1961, there were 1,173 in-

vestigations pending involving suspected violations of this nature, as compared with 1,126 on June 30, 1961. The Commission believes this backlog is of dangerous magnitude.

For 1962, a total of 67 additional positions will be required to reduce the number of investigations pending. The additional positions are distributed as follows: 54 for the regional offices, 10 for the Division of Trading and Exchanges, and 3 for the Offices of the General Counsel, Opinion Writing and Hearing Examiners.

The following tabulation shows the status of the investigations program for 1958 to 1963, inclusive:

Fiscal year	Pending beginning of year	Investigations		Pending end of year
		Opened	Closed	
1958	978	447	488	937
1959	937	523	483	977
1960	977	519	536	960
1961	960	567	401	1,126
1962 (estimated)	1,126	575	561	1,140
1963 (estimated)	1,140	600	640	1,100

It should be understood that we have little or no control over the number of such investigations which we are called on to institute. The public looks to the Commission to take immediate and positive action in all of its investigations and vigorously to pursue all indicated civil and criminal proceedings. Ths we cannot do without additional manpower.

To further complicate this already unsatisfactory situation, the Commission has been forced to conclude that resort to civil injunction and administrative proceedings is not completely adequate to halt the activities of illegitimate operators in the securities market, and that resort to criminal prosecution alone will effectively stop this type of lawlessness. Accordingly, the Commission has placed increased emphasis on such remedies.

In 1961, we referred 42 cases to the Department of Justice for its attention. On June 30, 1961, 100 cases were pending with that agency. Emphasis upon developing criminal cases inevitably involves the use of our manpower during the indictment and trial phases of these cases which would otherwise be available to meet other urgent enforcement and regulatory problems. Nevertheless, the Commission believes that this policy of pressing for criminal prosecution of violators of the Federal securities laws is necessary in order to protect the investing public.

INVESTMENT COMPANY PROGRAM

Another major and indispensable program of the Commission involves the regulation and inspection of investment companies. The Division of Corporate Regulation and the regional offices are jointly charged with administration of the inspection activity. The Commission is requesting 14 additional positions for this program, distributed as follows: 8 positions to be assigned to the Division to perform the regulatory phases of the 1940 act and to carry out inspections in certain regional areas where permanent staffs are not justified and 6 for assignment to certain regional offices to perform inspections.

The investment company industry has experienced an explosive growth in recent years. In fiscal 1961, 118 investment companies registered with the Commission, which is about twice the number registering in fiscal 1960. As of June 30, 1961, there were 663 registered investment companies holding assets of an aggregate market value of approximately $27 billion. When the Investment Company Act was first adopted in 1940, the aggregate net asset value of all investment companies was $2.5 billion. The Investment Company Institute, whose membership includes the bulk but by no means all of such companies, estimates that there were approximately 5,100,000 shareholder accounts in member investment companies as of June 30, 1961, representing an increase of approximately 2 million such accounts in the past 4 years.

When one of these companies first registers with the Commission, the agency is required to make a careful study of its financial position, an analysis of its corporate structure and a review of all of the literature by means of which it intends to sell its shares to the public. Such examinations are, of course,

made within the framework of the 1940 act. Once such a company has started in business, its activities must be closely observed in order to make sure that they comply with the intricate provisions of this statute. The additional eight positions for 1963 are required to meet the increased workload and to review the Commission's rules and regulations with respect to numerous problems arising out of the increased activity in the field of investment companies.

The number of positions now available to the Commission to handle the inspection of investment companies is wholly inadequate. From fiscal 1957 to 1961, inclusive, there has been an increase of about 53 percent in the number of registered investment companies, a 65-percent increase in the estimated number of shareholder accounts, and an 80-percent increase in the estimated market value of assets of these companies.

In the course of the 113 inspections which we have been able to make in the past 5 years, a number of irregularities have been uncovered which we have insisted be corrected. This result has convinced the Commission of the need for extension of this program in order to afford minimum protection to public shareholders. Our ultimate goal is to place these inspections on an 18-month cycle. The additional 6 positions requested for assignment to this program in the regional offices for 1963 will enable the Commission to perform 130 inspections, resulting in a 6-year inspection cycle. Under the current budget, we contemplate a schedule of 91 inspections, which will represent a 7-year cycle.

GENERAL

I have indicated generally the 3 programs for which we are requesting 147 additional positions. The remaining eight additional positions are for agency functions of equal importance distributed as follows: three positions to process applications for registration of broker-dealers and investment advisers, three positions for the market surveillance functions, two positions for the statistical program, and one position to render administrative support to all personnel of the Commission.

The amount requested in this estimate for 1963, in the unanimous opinion of the Commission, is required to enable it to conduct its operations in an efficient and adequate manner and in accordance with the expressed intent of the securities laws.

Sincerely yours,

WILLIAM L. CARY, *Chairman.*

HOUSE REPORT

Mr. CARY. That is right, sir.

Senator MAGNUSON. And this is $1,387,500 over last year?

Mr. CARY. Precisely, yes, sir.

Senator MAGNUSON. Yes, and the House says, and I quote from the House Report at page 16:

This will provide a staff of 1,475 positions, or an increase of 155.

What it amounts to in an increase of 155 positions?

Mr. CARY. That is correct.

Senator MAGNUSON. It might be well to state for our record here what these 155 are?

I mean, what shop they are in or what division they are in or how you are going to spread them or where they are going to be.

Mr. CARY. Right, sir.

ADDITIONAL POSITIONS

As you have said, Mr. Chairman, it is an additional 155 positions and these will be divided into three primary areas.

Sixty-six of these positions, or, about 40 percent will be in our Division of Corporate Finance which handles registration work.

Now, we have had during——

Senator MAGNUSON. This is the normal run-of-the-mill registration for stock sales?

Mr. CARY. That is correct. It has not been normal though, in one sense, because——

Senator MAGNUSON. Well, I mean——

Mr. CARY. I know exactly what you mean.

Senator MAGNUSON. Let's use the word "retain". That is better.

Mr. CARY. That is right.

Senator MAGNUSON. It has been a little bit higher than usual?

Mr. CARY. It has been much higher. We originally anticipated that there would be about 2,100 statements. That number was considerable higher than the preceding period. In fact, it proved to be about 2,307 during the past year.

INVESTIGATIONS AND ENFORCEMENTS

The second major area in which we need personnel is in the field of investigations and enforcements—67 people out of the total of 155, or about another 40 percent. As the market itself has been exceedingly active, and just as we have had an enormous number of registration, so, by the same token, we have had an enormous number of investigations to make.

We have at the present time in the neighborhood of about 1,000 investigations as a backlog, which we would like to try to clear with this additional personnel.

I might say of the 67, about 54 will be in the field in the regional offices.

The third area of 14 people, or 10 percent of the group of 155, are for the Division of Corporate Regulation, primarily focusing on the question of investment companies or mutual funds.

That area has increased enormously from an industry of about 2.5 billion in 1940 to over 30 billion now.

I think it is 31.8 billion as of the present time.

Those, Mr. Chairman, are the three areas in which we are asking for additional personnel and they total 147 of the 155 positions requested.

LOCATION OF NEW EMPLOYEES

Senator MAGNUSON. How many of those would be here and how many in the field?

Mr. CARY. I would say 87 will be here and 68 will be in the field.

Senator MAGNUSON. In both divisions?

Mr. CARY. The primary men, as I say, or the largest number of persons in the field will be the investigating group.

Senator MAGNUSON. That is right.

Mr. CARY. Fifty-four of the sixty-eight in the field will be for investigations. That is correct.

Senator MAGNUSON. Any questions?

Senator ALLOTT. Yes, I have one.

STATISTICS IN STOCK MARKET DECLINE

I would like to ask you, in a situation such as the fall of the stock market which we have had in the last few months, do you compile statistics as to what percentage of people who sold out are small stockholders?

Mr. CARY. We have not done so in precisely that form, Senator Allott.

As part of our special study—and you may recall we received an additional amount from Congress for that purpose—we have decided that it was necessary to make an analysis of the whole situation of who were buying and who were selling during that period around May 28.

That was the day of the largest decline.

I do not know that we have made it in precisely the form that you have indicated, of small shareholders, but I think a substantial amount of that will come out in this analysis.

Senator ALLOTT. The reason I ask that, of course, is this:

I believe that the broader the stock ownership of our industrial complex and financial complex in this country is, the more healthy economy and more interest people have in the economy and yet the small investor is generally the one who, when he buys X stock, we will say, 10 shares of X stock, and sees its stock drop off, gets in a sort of semihysterical situation which existed in May, and he is the one who sells off and he probably is the one who should hold on, if anybody does.

I am not sure about that, but at least he is the one who takes a beating.

I do not know what your figures are for the total loss on the stock market between May and now.

What is the total loss in shares outstanding on——

Mr. CARY. That would be very difficult to say. I cannot give you that figure between that date and today.

What was that figure with respect to the date of May 28?

Do you happen to remember?

Mr. LOOMIS. Our figures were not——

Mr. CARY. I just cannot give that, but I will furnish it for the record. It is undoubtedly true that on that one day there were losses in the billions.

(The information referred to follows:)

We estimate that the decline in the aggregate market value of all stocks on all exchanges on May 28, 1962, was approximately $19 billion. There was a substantial recovery on the succeeding days, followed by a further decline in June 1962.

The aggregate market value of all stocks on all exchanges reached an alltime high of approximately $425 billion in late December 1961. It fell by about $100 billion between then and the low in June 1962, and has since recovered by about $25 billion to approximately $350 billion at the present time.

NET LOSS TO INVESTORS

Senator ALLOTT. Well, let's assume, Mr. Cary——

Mr. CARY. About $40 billion or somewhere around there.

Senator ALLOTT. Let's assume that we are talking about a hundred billion overall.

Not everyone made profits, of course, on selling short, but if it was a 100 billion loss for investors on that day it is theoretically possible, that somebody could have made 100 billion.

Mr. CARY. Well——

Senator MAGNUSON. You mean net loss to investors?

Senator ALLOTT. Net loss to investors; yes.

Senator MAGNUSON. What peak is he figuring from?

Senator ALLOTT. I am talking about before the break.

Mr. CARY. Of course there are some problems in that, Senator Allott. The market itself dropped that day.

Of course, that does not mean in each case that each person lost that amount because his original investment may have been much smaller.

Senator ALLOTT. Well, that is right, too.

Mr. CARY. And then, of course, if he did not sell, why, the market has been——

Senator MAGNUSON. This is off the record.

(Discussion off the record.)

Mr. CARY. I do think we will have something shortly. It may be not for another 2 months or more, Senator Allott, but it will give you a pretty good picture of the whole pattern of purchasers and sellers during that period.

Senator MAGNUSON. Yes, I think that would be very good.

Senator ALLOTT. I think that will be very helpful.

Mr. CARY. I do, too.

STUDY BY NEW YORK STOCK EXCHANGE

Senator MAGNUSON. Is the New York Stock Exchange not making a study of this, themselves?

Mr. CARY. They are already, and we are using some of their data. They came out with reports on it and, although I have no reason to deny their accuracy, I think ours is going to be a much more thorough study.

We are doing a broad analysis. We are asking investment companies and other institutions that were involved in the market for information, and we will hopefully secure a composite picture of the pattern of the market at that time and of the buying and selling. I think it will come very close to what you have in mind.

Senator MAGNUSON. There have been several stories about this analysis.

Mr. CARY. That is correct.

Senator MAGNUSON. Every once in a while the Wall Street Journal and the other financial papers will have it.

Mr. CARY. That is right.

Senator MAGNUSON. But I notice that while the study ought to be good, that one story will say that it is the small ones and the other story will say it is the big trust people, the big holders, and there is no real unanimity of conclusion.

Mr. CARY. There have been a series of segments of stories, as you say, and they have not really brought out the whole picture. We decided not to make any announcements because, basically, if we made an announcement, it really would not be accurate at this time until we get the whole picture.

Senator ALLOTT. Well, regardless of whether you figure it upon the basis of the value that day or the figure at which the people invested, someone, in the meantime, has lost a lot of money.

Mr. CARY. I am sure that there are a number or certainly many people who did

Senator MAGNUSON. If they bought the day before, when it was high, they lost that much the next day.

Senator ALLOTT. Yes, but there are a lot of people who bought a stock at 20, saw it go up to 30——

Senator MAGNUSON. And then back to——

Senator ALLOTT. And then back down to 12 or 15.

Senator MAGNUSON. That is right.

Mr. CARY. Particularly if they bought it that high and then sold at the time of the market lows.

Senator ALLOTT. In other words, even if they take your figures the way you were talking about, Senator, someone lost a lot of money, and I think a careful analysis of this is worthwhile and will be of benefit to the American public.

Senator MAGNUSON. Yes.

Mr. CARY. Well I can assure you that this is being done by very responsible people. We have put this special study together. Happily, we had it. It was looking into the whole market picture; we have had some good economists on the staff for this limited period of time and they have been able to apply their experience to a study of the decline.

And I think they will have something really worthwhile.

EFFECT ON BUSINESS ECONOMY

Senator MAGNUSON. Where the business economy actually got lost was the side effects where a fellow looked the night before and said, "Well, by golly, I am worth X number of dollars. We can afford that new car tomorrow." Then the next day he says, "Hold it; don't go down and buy it; we are not worth that much."

This was the thing that caused the real loss to the economy.

TOTAL EMPLOYEES

Senator ALLOTT. Mr. Cary, along another line, I would like to call your attention to the fact that in 1961 the SEC had 1,087 employees; in 1962 they had 1,340. In 1963, 1,500 is estimated at the end of the year.

Mr. CARY. That is correct, sir.

Senator ALLOTT. Now, this represents a growth of employees in your organization or an increase of one-third in 2 years.

Now, you have 10 potential retirements in 1963. This committee has talked with all of the other agencies before along this line, and it is the hope of this committee that you will use those retirements in two ways:

First, not to fill it up with, for everyone that is retired, two or three under Parkinson's law below but, rather, hold it or even use it to decrease your personnel.

We all are aware of the fact that people are very kind sometimes and hold onto people just before they retire although their usefulness may be diminishing rapidly, and we feel that you can use this in that way not to fill up positions below unnecessarily.

It can also be used as a basis for regrouping, reconstituting your organization so that you come up with a stronger and better organization.

And we will hope you will do this.

Mr. CARY. Yes, sir; we will try.

I might say, I do not think we are engaged in exemplifying Parkinson's law because we have had several opportunities, or we were asked to expand in other areas. We have recommended against such action.

Recently, for example, it was suggested that we take on the whole District of Columbia problem of securities regulation. We said we did not think this was a proper area in which we should expand; that, really, our basic job was one of a national securities program.

Senator MAGNUSON. Well, what we are talking about is that we know you have new jobs——

Mr. CARY. Yes.

Senator MAGNUSON. And probably 155 are justified——

Mr. CARY. Yes.

Senator MAGNUSON. But if you take a look at this other end and use it, as the Senator from Colorado points out, as good businesses sometimes do to reorganize, close ranks, this would then only be 155 instead of 162.

This is what we are talking about.

Mr. CARY. Yes, sir. That is correct.

NET INCREASE OF GOVERNMENT EMPLOYEES

Senator ALLOTT. That is right The net increases of employment in the Government, and I do not have the last figures available to me, but they must be somewhere in the neighborhood of 150,000 or 160,000 in the last 2 years. This is no minor problem, and every agency that has been before us has come up with requests for 5, 10, 100, 500, 5,000, even 5,000, and this is a real major problem to the Government.

We cannot continue to constantly expand as we have.

This is a real problem to the Government and it can only be handled by individual agencies taking care of their own shop.

Mr. CARY. I appreciate your point.

Senator MAGNUSON. About 50,000 people retire every year approximately. By that, we do not mean that you should not hire the people for the jobs you have, but in that particular category, when they retire, that does not necessarily mean that in that particular category you necessarily have to hire another person at the other end.

Mr. CARY. Yes, sir.

Senator MAGNUSON. Yes, and we might do something in this field, rather than say to the agency that "you have got too many people" and cut them off 10 percent.

That does not work very well, but you can use retirements sometimes to close ranks maybe and do just as efficient a job.

But that does not mean that when this fellow quits that you keep that shop the same way.

You might have to hire 50 more people over here for a new job. We understand that.

Mr. CARY. Yes, sir. We will certainly keep that in mind, and I think we are trying to follow along those very lines.

Senator MAGNUSON. The Chair will put in the record a letter from Donald Cook, president of the American Electric Power Co., Inc., addressed to Senator Robertson, about your staff.

He complains that you people do not have enough top grades, and he does it from a lot of experience both in and out of Government.

Mr. CARY. We certainly would confirm that view.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
August 1, 1962.

Hon. DONALD C. COOK,
President, American Electric Power Co., Inc.,
New York, N.Y.

DEAR MR. COOK: It will give me pleasure to bring to the attention of the chairman of the Independent Offices Subcommittee, your letter of July 30 in which you recommend that a more adequate provision be made for the compensation of the SEC staff.

With best wishes, I am,
Sincerely yours,

A. WILLIS ROBERTSON.

AMERICAN ELECTRIC POWER CO., INC.,
New York, N.Y., July 30, 1962.

Hon. A. WILLIS ROBERTSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ROBERTSON: The purpose of this letter is to call your attention, in your capacity as chairman of the Banking and Currency Committee and as a member of the Subcommittee on Independent Offices of the Appropriations Committee, to a serious personnel problem at the Securities and Exchange Commission substantially affecting the efficiency of SEC, complicating and delaying resolution of the problems of those regulated and materially affecting the public interest.

I have had the privilege of serving in the Federal Government for some 16 years, the last 2 years as Chairman of the Securities and Exchange Commission. Since July 1, 1953, I have been an executive of the American Electric Power System, an important part of which is, of course, Appalachian Power Co. with which I know you are familiar.

The American Electric Power System must frequently sell securities to the public, the common stock of the parent company is listed on the New York Stock Exchange and the parent company is a registered holding company under the Public Utility Holding Company Act of 1935. We, therefore, have almost day-to-day problems under the Securities Act of 1933, the Securities Exchange Act of 1934 and the Public Utility Holding Company Act of 1935, all of which are administered by the Securities and Exchange Commission.

I am convinced, on the basis of my experience on both sides of the fence, that it is in the best interests of the regulatory agency, the industry regulated and the public that the caliber of the professional and executive personnel in the regulatory agencies be kept at the highest level possible. An essential element in maintaining such a high level is the scale of compensation. In the end result, it is highly wasteful and false economy to hold down compensation, to allow good people to be lost by reason of inadequate compensation and to reduce the level of efficiency, intelligence, and judgment. This inevitably leads to inept regulation, which is frustrating, time consuming, and expensive for those regulated and which is certainly not in the public interest.

I am, therefore, very much concerned at what appears to have been the shabby treatment of SEC in the allocation of the so-called supergrades at the top staff level.

It is my understanding that allocation of supergrades among the several independent regulatory agencies and the total number of employees of such agencies, as of April 1962, have been as follows:

Agency	Allocation in 1951				Allocation in 1961				Total employees, April 1962
	GS–16	GS–17	GS–18	Total	GS–16	GS–17	GS–18	Total	
SEC	5			5	10	5	2	17	1,257
CAB	2			2	15	8	4	27	804
FCC	5			5	15	6		21	1,382
FTC	5			5	10	4	1	15	1,046
FPC	3			3	13	5	6	24	906
ICC	5	2		7	12	11	2	25	2,383
NLRB	2			2	22	1	2	25	1,863
SBA	(1)	(1)	(1)	(1)	21	6	6	33	3,076

[1] Not in existence.]

This indicates that SEC, on almost any basis, has been badly shortchanged in comparison with CAB, FCC, FPC, ICC, NLRB, and SBA. I have some knowledge of the responsibilities of these other agencies and I believe it is clear that, in any comparison, the complexity and difficulty of the work of the SEC staff, the necessarily high proportion of its professional personnel, and the importance to the national economy and the public interest of its work, would call for the allocation of a higher (rather than lower) number of supergrades to SEC.

I note that, in testimony last year before the Subcommittee on Independent Offices of the Senate Appropriations Committee, Chairman Cary of SEC requested allocation of a minimum of 27 supergrades consisting of 5 at GS–18, 7 at GS–17, and 15 at GS–16. (See hearings on H.R. 7445, pp. 730–733, June 22, 1961.) This seems to me to be an entirely reasonable and, indeed, modest request, but apparently the Civil Service Commission has been unable to comply with it. Under similar circumstances, where similar facts relating to the Federal Power Commission were called to the attention of the Senate Subcommittee on Independent Offices, both the subcommittee and the Appropriations Committee recommended, and the Congress adopted, language in the independent offices appropriations bill for 1961 expressly adding six supergrades for FPC. (See Public Law 86–626; 74 Stat. 429–430, July 12, 1960.)

I urge most strongly that the subcommittee and the committee recommend provisions in the appropriations act for 1962 which would expressly authorize the additional supergrades requested by Chairman Cary for SEC. I am convinced such a provision would be in the best interests of SEC in retaining and attracting key executive staff personnel, would facilitate efficient, intelligent, and expeditious regulation which is in the best interests of those regulated, and would, therefore, advance the public interest.

Sincerely,

DONALD C. COOK, *President.*

STOCK MARKET REPORT

Senator MAGNUSON. But this is a problem that all the agencies that we have have just got to go before the regular committees and make their case there.

Sometimes we have done it and then we get hit with a point of order on the floor, and rightly so. It does not belong in the appropriations bill.

Senator ALLOTT. Will you see, Mr. Cary, that I get a copy of the report——

Mr. CARY. We certainly shall, Senator.

Senator ALLOTT. On the stock market position?

Senator MAGNUSON. Yes; all of the members of the Senate Appropriations Committee would appreciate that.

Senator ALLOTT. And for the good of the country is why I want it. I am not seeking to pin something on somebody.

It is necessary that we study these things if we are going to come up with objective and useful answers.

Mr. CARY. I think this special study which, by the way, will end April 3, will be a very substantial help in showing us what has happened.

Senator MAGNUSON. All right. That you very much, gentlemen.

Mr. CARY. Thank you, Mr. Chairman.

Mr. DONATY. Thank you, sir.

Next is the National Science Foundation.

NATIONAL SCIENCE FOUNDATION

STATEMENTS OF ALAN T. WATERMAN, DIRECTOR, ACCOMPANIED BY DETLEV W. BRONK, CHAIRMAN OF THE NATIONAL SCIENCE BOARD, AND PRESIDENT, THE ROCKEFELLER INSTITUTE; RICHARD H. BOLT, ASSOCIATE DIRECTOR (PLANNING); HARRY C. KELLY, ASSOCIATE DIRECTOR (EDUCATIONAL AND INTERNATIONAL ACTIVITIES); RANDAL M. ROBERTSON, ASSOCIATE DIRECTOR (RESEARCH); PAUL A. SCHERER, ASSOCIATE DIRECTOR (ADMINISTRATION); BOWEN C. DEES, ASSISTANT DIRECTOR FOR SCIENTIFIC PERSONNEL AND EDUCATION; HENRY W. RIECKEN, JR., ASSISTANT DIRECTOR FOR SOCIAL SCIENCES; HARVE J. CARLSON, ASSISTANT DIRECTOR FOR BIOLOGICAL AND MEDICAL SCIENCES; WILLIAM E. BENSON, ACTING ASSISTANT DIRECTOR FOR MATHEMATICAL, PHYSICAL, AND ENGINEERING SCIENCES; BURTON W. ADKINSON, HEAD, OFFICE OF SCIENCE INFORMATION SERVICE; HOWARD E. PAGE, HEAD, OFFICE OF INSTITUTIONAL PROGRAMS; ALBERT P. CRARY, ACTING HEAD, OFFICE OF ANTARCTIC PROGRAMS; WILLIAM J. HOFF, GENERAL COUNSEL; AARON ROSENTHAL, COMPTROLLER; AND LUTHER F. SCHOEN, BUDGET OFFICER

Letter and Justifications

Senator Magnuson. All right. This is the National Science Foundation.

Dr. Waterman is here and the other members of the Foundation, and we will place their names in the record, and also Dr. Bronk is here. He is Chairman of the National Science Board and president of the Rockefeller Institute.

So the Board and the Foundation are both represented.

Dr. Waterman has sent to the chairman a letter with the justifications which we will put in the record in full.

(The letter referred to follows:)

National Science Foundation,
Office of the Director,
Washington, D.C., August 6, 1962.

Hon. Warren G. Magnuson,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

My Dear Senator Magnuson: The National Science Foundation requests the following amendment to H.R. 12711 as reported by the Committee on Appropriations of the House of Representatives:

Page 37, line 4, delete "$310,000,000" and insert in lieu thereof "$357,750,000".

The appropriation of $310 million for the National Science Foundation in H.R. 12711 as passed by the House falls short by $48 million of the amount in the

budget recommended by the President. As indicated in your letter of July 27, 1962, the question is whether this very substantial reduction in funds for the support of basic research and science education is in the public interest. If we are to meet the recognized need for balanced growth in the country's scientific and technological capability, it is my view and that of the National Science Board that such a reduction would not serve the public interest.

Since its inception in 1950, the National Science Foundation has presented for the consideration of Congress sound programs for Federal participation in the support of science and science education. Although the appropriations for these programs have consistently been less than minimum needs, the Foundation has demonstrated a capacity for sound stewardship of these funds. The kinds of projects supported by the Foundation are not spectacular nor are they directed toward the immediate solution of obviously practical and pressing problems such as health or defense. However, building as they do a firm foundation for future progress in technology, the Foundation's programs can and do make a vital contribution to the Nation's potential for leadership. At a time when science and technology are increasing at an ever-accelerating pace in every country, it is our firm conviction that we must without delay set about a most substantial increase in the support of basic research and advanced training in science and engineering as the best possible investment for the next decade. Only in this way will we succeed in producing the number and quality of highly trained scientists and engineers which we require, and at the same time capitalize upon maximum progress in research.

A reduction of the magnitude proposed in H.R. 12711 is particularly unfortunate at a time when Foundation programs would be of great assistance to colleges and universities in meeting their responsibilities for the education and training of the increasing numbers of scientists and engineers who will be needed over the next decade. Since 1953 the number of scientists and engineers earning baccalaureate degrees has increased at the rate of about 4.4 percent per year. This rate of growth in the training of manpower is not sufficient in view of the rate of growth in expenditures for the national research and development effort which has averaged about 25 percent per year. The shortage of trained scientists and engineers will be even more acute in the future because there must be a large feedback of talented young people into the education field. For example, to maintain the present student-to-faculty ratio at the graduate level, it will be necessary for colleges and universities to employ at least 40 percent of the new science and engineering doctorates to train the expected number of students.

This is a long-leadtime problem, since the education of a highly qualified scientist or engineer requires 7 to 10 years at the undergraduate and graduate level. It is estimated that to meet the requirements in 1970 and beyond for scientists and engineers, particularly those with advanced degrees, the number of undergraduates in these fields must double by 1966 or 1967 and the number of candidates for doctoral degrees must approximately double before 1970. Thus, the conclusion seems inescapable that it is in the immediate national interest for the Federal Government to assume a substantial degree of responsibility for assisting colleges and universities in providing the needed increase in educational opportunities for qualified students of science and engineering.

The Foundation has the statutory authority and the capability to carry out programs which provide stimulation and assistance to colleges and universities in meeting the need for the education of future scientists and engineers. The facts indicate the wisdom of making vigorous use of the Foundation's capability at the present time through the appropriation of adequate funds for programs which have proved effective and which have the support of the scientific community and the general public.

In order to assess the probable effects of a $48 million reduction in planned National Science Foundation programs for fiscal year 1963, a distribution has been made of the $310 million level included in H.R. 12711. A comparison of this distribution with the budget estimate of $358 million is shown in the table enclosed with this letter. Following is a summary by major activities of the expected consequences of the reduction:

Basic research and institutional grants, +$19,250,000

A major concern of the National Science Foundation is to stimulate and encourage basic research in the sciences. The results of this effort are reflected in the rapid growth in the number and dollar volume of research proposals received each year. During fiscal year 1962, 4,700 proposals for $326 million were re-

ceived compared to 1,500 proposals for $37 million received during fiscal year 1956. These are consistently high-quality research proposals from over 400 institutions of higher learning and involve the work of about 4,200 principal investigators.

The fiscal year 1963 budget estimate included $125 million to support approximately 32 percent of an estimated $392 million in research proposals to be received. An amount of $107,750,000, which would be the maximum amount available for basic research grants within the appropriation passed by the House, will support only 27.5 percent of that expected volume of proposals; a level of support that is undesirably low. In addition, over $190 million of fiscal year 1962 proposal receipts have been carried into fiscal year 1963 for consideration for support, which means that about $600 million in proposals will compete for the $107,750,000 that will be available within the reduced budget total.

Restoration of the full amount requested would permit support for over 400 additional research grants and would provide training opportunities for an additional 2,000 advanced graduate students who would participate in the research. Since basic research is a vital ingredient of science education, particularly at the graduate level, the denial of support to about two-thirds of the research proposals received by the Foundation would adversely affect the efforts of many colleges and universities to develop and improve their science departments. Basic research is an important factor in attracting and retaining science faculty members. Another factor to be considered is that many important areas of science which need strengthening could not be adequately supported.

The House reduction would also reduce the effectiveness of the institutional grants program. This program is an effort to provide flexible support for the scientific activities of colleges and universities through general-purpose grants. It is recommended that the full amount of $19,250,000 be restored to the basic research and institutional grants programs.

Basic research facilities, +$12,000,000

The appropriation level provided in the House bill would make it necessary to reduce by $12 million the programs for providing essential research facilities at colleges and universities. A major portion of the reduction would, of necessity, be applied to the development of graduate research laboratories program, for which $33,500,000 was included in the Foundation's estimate. The facilities provided under this program are urgently needed in order to strengthen the capability of our colleges and universities to perform basic research and to train the increased numbers of graduate scientists and engineers needed by this country in the next few years. Reductions would also have to be applied in the amounts to be provided for university computing facilities, specialized biological facilities, and oceanographic research vessels and facilities These programs have been established to meet specifically identified needs in certain scientific areas and the reductions will slow the achievement of national goals in these areas.

National research programs, +$1,500,000

The reduction in the total appropriation for the Foundation would result in a decreased level of support for national research programs. The reduced amount which would be available for Project Mohole would slow down the research and procurement of equipment now underway in preparation for this major effort to obtain important new information about the crust and mantle of the earth and would delay completion of the project.

A reduction would also be necessary in the Antarctic research program, making it necessary to defer a planned program of rocket observations to be used for investigations in upper atmospheric physics. This program is intended to provide detailed studies of certain phenomena associated with large magnetic and solar disturbances and would greatly enhance the value of ground observations of these phenomena now being carried out in the Antarctic.

At the House-proposed level, Foundation support for the Indian Ocean Expedition would also be less than planned. The expedition is a major effort in international scientific cooperation involving many nations and numerous scientific disciplines. A reduction in the Foundation's support for the participation of U.S. scientists in the expedition will substantially reduce the scientific benefits to be obtained from this country's participation.

Dissemination of scientific information, +$1,500,000

In distributing the House-recommended $48 million reduction from the Foundation's $358 million budget estimate for fiscal year 1963, it has been necessary to reduce the level of support contemplated for scientific publications and documentation research. This will result in delay in the dissemination of important scientific information which could be very costly in terms of research time as well as in dollars. Increased recognition is being given to the need for keeping U.S. scientists fully and promptly informed of the results of the growing volume of valuable research being conducted in the United States and around the world. Prompt and vigorous action is needed to improve the flow of scientific information.

Science education programs, +$13,500,000

The appropriation included in H.R. 12711 as passed by the House would have the effect of substantially curtailing a number of important science education programs planned for fiscal year 1963. The Foundation has long considered it necessary to reimburse institutions for costs incurred for the education of individuals awarded fellowships under National Science Foundation programs. The reduction in appropriations would require continuation of the current cost of education allowances which do not cover the full cost and which, therefore, impose a financial burden on participating institutions. The alternative to this action would be a substantial reduction in the number of fellowships which could be awarded. This action would be most inadvisable at a time when there is an extreme shortage of scientific and engineering personnel with advanced degrees.

In fiscal year 1962 the Foundation initiated a program of matching grants to assist colleges and universities to modernize equipment available for undergraduate science and engineering instruction. This program is directed toward meeting the critical need of most institutions to modernize science and engineering teaching at the undergraduate level. The reduced appropriation would result in a very substantial curtailment of the planned fiscal year 1963 program in this area. This would adversely affect the overall national effort to improve science teaching at all academic levels.

During the last several years the Foundation has taken the lead in sponsoring projects to develop new approaches to the teaching of science. These projects have been conducted by groups of highly qualified scientists and science teachers and have been directed toward development of integrated instructional programs including textbooks, teachers' commentaries, laboratory and demonstration experiments, films, and related materials. The projects to date, which have been primarily at the secondary school level, are nationally recognized for their excellence. A number of school systems have already adopted these improved curriculums. Since the content of current undergraduate courses in science is becoming increasingly obsolescent, the Foundation had planned a substantial expansion of the effort at the college level in fiscal year 1963. This expansion is urgently needed to assure that curriculums at all levels provide the scientific content necessary to educate students in the expanding fields of science and technology.

It is recognized that the amounts required for many of the programs included in the Foundation's budget estimate cannot be demonstrated by precise computations and that the decision of the Congress must be made on its judgment of what will best serve the national need. It is hoped, however, that the Congress will consider the fact that the Foundation's appropriation request of $358 million was the result of a refining process which included consideration of its content by the National Science Board, the Bureau of the Budget, and the Director of the Office of Science and Technology.

Sincerely yours,

ALAN T. WATERMAN, *Director.*

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Comparison of National Science Foundation, fiscal year 1963 budget estimate with appropriation passed by the House of Representatives

[In thousands]

	Fiscal year 1963, estimate	Distribution of fiscal year 1963 appropriation passed by House	Increase (+) or decrease (−)
Support of science:			
Basic research grants and contracts	$125,000	$107,750	−$17,250
Institutional grants	10,000	8,000	−2,000
Basic research facilities	61,500	49,500	−12,000
National research centers	14,000	14,000	0
National research programs	17,500	16,000	−1,500
Dissemination of scientific information	12,300	10,800	−1,500
Program development, operation, and evaluation	4,263	4,263	0
Subtotal, support of science	244,563	210,313	−34,250
Support of scientific manpower:			
Fellowships	23,000	20,500	−2,500
Institutes	42,800	42,550	−[1] 250
Instructional equipment for undergraduate education	8,000	5,000	−3,000
Course content improvement	17,000	9,000	−8,000
All other education programs	17,000	17,000	0
Program development, operation, and evaluation	3,750	3,750	0
Subtotal, support of scientific manpower	111,550	97,800	−13,750
Executive direction and management	4,637	4,637	0
Total, planned program	360,750	312,750	−48,000
Deduct unobligated balance of fiscal year 1962 appropriation carried forward	−2,750	−2,750	0
Total appropriation	358,000	310,000	−48,000

[1] Specifically reduced by House committee.

Salaries and expenses—Statement relating 1961, 1962, and 1963 programs

[In thousands of dollars]

1961 program (total costs)	174,995
Increase of grants and contracts in support of science	+63,503
Increase of grants and contracts in support of scientific manpower	+20,997
Other increases (program development, operation, and evaluation, and executive direction and management)	+2,199
1962 program (total costs)	261,694
Increase of grants and contracts in support of science	+73,837
Increase of grants and contracts in support of scientific manpower	+22,341
Other increases (program development, operation, and evaluation, and executive direction and management)	+2,878
1963 program (total costs)	360,750

Analysis by activities

[In thousands of dollars]

	1961	Decreases	Increases	1962	Decreases	Increases	1963
Support of science	105,492	----------	64,399	169,891	----------	74,672	244,563
Support of scientific manpower	66,824	----------	21,334	88,158	----------	23,392	111,550
Executive direction and management	2,679	----------	966	3,645	----------	992	4,637
Total program costs	174,995	----------	86,699	261,694	----------	99,056	360,750

Summary of budget estimate, by fiscal year

	Actual, fiscal year 1961	Estimate, fiscal year 1962	Estimate, fiscal year 1963	Increase (+) or decrease (−), fiscal year 1963 compared with 1962
Support of science:				
Basic research	$63,894,409	$85,129,339	$125,000,000	+$39,870,661
Institutional grants	1,496,616	5,000,000	10,000,000	+5,000,000
Basic research facilities	15,018,143	45,800,090	61,500,000	+15,700,000
National research centers	7,908,269	11,300,000	14,000,000	+2,700,000
National research programs	8,112,800	10,500,000	17,500,000	+7,000,000
Dissemination of scientific information	6,406,089	8,637,294	12,300,000	+3,662,706
Program development, operations, and evaluation	2,531,463	3,427,000	4,263,000	+836,000
Subtotal	105,367,789	169,793,633	244,563,000	+74,769,367
Support of scientific manpower:				
Fellowships	13,119,432	17,900,000	23,000,000	+5,100,000
Institutes	34,500,192	41,850,000	42,800,000	+950,000
Research participation for teachers	2,647,437	2,858,320	4,100,000	+1,241,680
Science education for undergraduate students	3,387,775	3,800,900	6,000,000	+2,200,000
Instructional equipment for undergraduate education	0	5,000,000	8,000,000	+3,000,000
Science education for secondary school students	3,049,896	3,400,000	5,000,000	+1,600,000
Public understanding of science	326,679	500,000	500,000	0
Course content improvement	6,410,871	9,000,600	17,000,000	+7,999,400
Scientific personnel and education studies	1,018,585	1,149,700	1,400,000	+250,300
Program development, operations, and evaluation	2,363,472	2,700,000	3,750,000	+1,050,000
Subtotal	66,824,249	88,158,620	111,550,000	+23,391,380
Executive direction and management	2,678,712	3,644,870	4,637,000	+992,130
Subtotal	174,870,750	261,597,123	360,750,000	+99,152,877
Allocations to other Government agencies	124,713	96,749	0	−96,749
Total	174,995,463	261,693,872	[1] 360,750,000	+99,056,128

[1] Includes $2,750,000 unobligated of fiscal year 1962 appropriation.

Support of Science, $244,563,000

SUMMARY

The comparative budget estimates by fiscal years for major activities and object of expense in the "Support of Science" activity are shown on the following tables:

Obligations

	Actual, fiscal year 1961	Estimate, fiscal year 1962	Estimate, fiscal year 1963	Increase (+) or decrease (−), fiscal year 1963 compared with 1962
Basic research	$63,894,409	$85,129,339	$125,000,000	+$39,870,661
Institutional grants	1,496,616	5,000,000	10,000,000	+5,000,000
Basic research facilities	15,018,143	45,800,000	61,500,000	+15,700,000
National research centers	7,908,269	11,300,000	14,000,000	+2,700,000
National research programs	8,112,800	10,500,000	17,500,000	+7,000,000
Dissemination of scientific information	6,406,089	8,637,294	12,300,000	+3,662,706
Program development, operation, and evaluation	2,531,463	3,427,000	4,263,000	+836,000
Subtotal, support of science	105,367,789	169,793,633	244,563,000	+74,769,367
Allocations:				
Department of the Army	12,875	17,639		−17,639
Department of Commerce	111,838	79,110		−79,110
Subtotal, allocations	124,713	96,749		−96,749
Total	105,492,502	169,890,382	244,563,000	+74,672,618

SUPPORT OF SCIENTIFIC MANPOWER, $111,550,000

SUMMARY

The comparative budget estimates by fiscal years for major programs and object of expense in the "Support of Scientific Manpower" activity are shown on the following tables:

Obligations

	Actual, fiscal year 1961	Estimate, fiscal year 1962	Estimate, fiscal year 1963	Increase (+) or decrease (−), fiscal year 1963 compared with 1962
Fellowships	$13,119,432	$17,900,000	$23,000,000	+$5,100,000
Institutes	34,500,102	41,850,000	42,800,000	+950,000
Research participation and science activities for teachers	2,647,437	2,858,320	4,100,000	+1,241,680
Science education for undergraduate students	3,387,775	3,800,000	6,000,000	+2,200,000
Instructional equipment for undergraduate education	0	5,000,000	8,000,000	+3,000,000
Science education for secondary school students	3,049,896	3,400,000	5,000,000	+1,600,000
Public understanding of science	326,679	500,000	500,000	0
Course content improvement	6,410,871	9,000,600	17,000,000	+7,999,400
Scientific personnel and education studies	1,018,585	1,149,700	1,400,000	+250,300
Program development, operation, and evaluation	2,363,472	2,700,000	3,750,000	+1,050,000
Total	66,824,249	88,158,620	111,550,000	+23,391,380

EXECUTIVE DIRECTION AND MANAGEMENT, $4,637,000

Summary—Obligations

	Actual, fiscal year 1961	Estimate, fiscal year 1962	Estimate, fiscal year 1963	Increase, fiscal year 1963/1962
National Science Board	$31,462	$35,800	$48,000	+$12,200
Office of Director	199,818	208,800	215,200	+6,400
Associate Director Research	28,375	36,900	59,000	+23,000
Associate Director for Education and International Activities	96,160	61,400	63,100	+1,700
Associate Director for Planning	0	28,700	30,400	+1,700
Associate Director for Administration	66,207	73,700	75,000	+1,300
Comptroller	0	27,900	40,300	+12,400
Office of General Counsel	72,516	93,800	94,300	+500
Science Resources Planning Office	0	311,600	655,700	+344,100
Office of Economics and Statistic Studies	642,988	763,700	923,100	+159,400
Public Information Office	116,860	101,900	123,900	+22,000
Office of Science Exhibits	0	42,100	84,900	+42,800
Grants and Contracts Office	276,442	343,200	356,000	+12,800
Personnel Office	94,678	126,300	134,100	+7,800
Administrative Services Office	678,760	928,670	1,226,400	+297,730
Organization and Management Staff	36,836	71,000	76,600	+5,600
Budget Office	95,783	102,000	102,500	+500
Finance Office	178,917	199,600	221,300	+21,700
Internal Audit Staff	62,910	87,800	106,300	+18,500
Activity totals	2,678,712	3,644,870	4,637,000	+992,130

HOUSE ACTION

Senator MAGNUSON. For the purposes of the record the Foundation received in fiscal 1962, $263,250,000. The budget estimate for 1963 was $358 million.

The House bill allowed $310 million, which is $46,750,000 over the 1962 fiscal year, but $48 million under the budget estimates.

And Dr. Waterman has a short statement, and the committee will be glad to hear from you, Doctor.

Dr. WATERMAN. Thank you, Mr. Chairman.

We appreciate the opportunity to appear before you and to present our case for the restoration of $47,750,000 of the amount by which House bill No. 12711 reduced our budget estimate for fiscal year 1963. In a letter to the chairman, dated August 6, 1962, I discussed the effect of this cut upon the programs of the Foundation. If the committee desires, I shall be happy to read this information in the record, or have it entered in the record, if you wish.

Senator MAGNUSON. Well, I think we had just as soon hear your statement because it is a broad review of what you have been doing the past year.

Dr. WATERMAN. Right.

The amount of $310 million provided in the House bill is an increase of about $47 million over the amount appropriated for fiscal year 1962. Although this increase is quite substantial, we believe that there are strong reasons for restoring all but a small part of the $358 million requested in our budget, and this belief is strongly supported by our National Science Board.

There is surely no need to stress the importance of science and technology in the world today. All nations have realized for some time that science and technology lie at the roots of their future in respect to such vital matters as health, defense, and economic strength.

Furthermore, other nations are making rapid progress in their technical capabilities. As a result, this country finds itself increasingly in a competitive position, one in which we should bend every effort to maintain leadership. We can do this only if we determine to develop our Nation's full potential for accomplishment in science.

The situation with which we are faced can be emphasized by the following statistics:

Our population is doubling about every 35 years; the gross national product, every 25 years. The number of baccalureate graduates from our colleges is doubling every 18 years. But the number of advanced degrees in science and engineering is doubling every 12 years.

Senator MAGNUSON. Well, I merely wanted to add there that the upset of the draft during the war, the recognition of that, is responsible for the existence of the National Science Foundation.

Dr. WATERMAN. You are quite right, sir. I believe that is certainly the case.

Finally, the national funds for research and development have tripled in the last 7 years, illustrating the drain upon our manpower resources for research and training in science and engineering that is taking place and upon the provision of facilities needed, both for research and training.

We have made a careful study of this and it was done by Dr. Bolt, and he is here.

Senator MAGNUSON. Dr. Bolt is here, and he is in charge of planning?

Dr. WATERMAN. That is right, sir.

Senator MAGNUSON. All right.

COMPETITION FOR SCIENTISTS

Dr. WATERMAN. However, we are now faced with a most serious problem. Until recently, we have not realized the magnitude of the effort that it will take to maintain the trend. Because of the needs of national programs and of commercially important industries, scientists and engineers are being attracted more and more to research in industry and in Government laboratories. To be sure, they are needed in all such endeavors. But, as a result, we are falling behind in providing our universities with adequate staff for teaching—to say nothing of increased facilities and other requisites for maintaining high standards of qualty in research and in training.

Indeed, further study shows that we cannot maintain quality of academic research and training unless at least 40 percent of our output of new doctoral scientists and engineers, during the next several years, join the faculties of our colleges and universities.

This percentage is far from being met in engineering and in many critical areas of science at the present time. It becomes evident, therefore, that in the years ahead we must give every encouragement to our colleges and universities, not to mention our primary and secondary schools, in order that they may provide adequately for the country's educational needs for science and technology.

Colleges and universities find themselves increasingly unable to do this job, and it becomes the duty of the Federal Government to assist them, in the national interest. We depend upon the colleges and universities for maintaining the quality standards of education required; we also depend primarily upon them for progress in basic research.

Such research is an essential part of the advanced training of every scientist and engineer. Thus, all signs point to the role of universities as a crucial one for immediate attention by the Federal Government.

The major programs of the National Science Foundation are concerned with the following broad categories: the support of basic research in all fields of science, especially at universities and nonprofit institutions; provision for modern research facilities at colleges and universities, and at certain carefully selected, separate research institutes; special attention to national programs of research such as oceanography, atmospheric sciences, and the U.S. scientific program in the Antarctic; an intensive program for the improvement and modernization of modern science instruction; improvement of the communication of science information; and studies and analyses for use in the development of national policy in science.

Most of the programs are centered in our colleges and universities, upward of 400 in number, of all types, and widely distributed throughout the country. Even our highly successful institutes for science teacher training are administered by colleges and universities.

The programs of the National Science Foundation, as represented in the budget which is before you, are clearly directed toward these aims: progress in research and the cultivation of high-quality education and training in science and engineering.

We have had years of experience not only in studying and determining the needs of science, but also in actually carrying out programs to support science.

Careful attention has been paid toward securing the most competent advice from scientists and engineers in all the various fields, in all types of institutions, and in all parts of the country.

Finally, in the determination of policy we have a unique asset in our National Science Board. Its 24 members are distinguished in research, in education, and in public affairs, and they are widely representative of the many elements in the Foundation's program.

In simple terms, as you know, the Foundation stands for a sound national investment in the progress of science, aptly termed "The Endless Frontier" by Dr. Vannevar Bush. Like any sound investment, it must be comprehensive in scope and varied in type and kind of coverage.

It is an investment in ideas, in knowledge and in understanding. Above all, it is an investment in men and women and in the institutions in which they are trained and in which they do their teaching and research.

Since basic research is exploring the unknown, one cannot foretell with any degree of accuracy what the significant discoveries may be, or where they will be made, or which individuals will make them. But with a sound investment, the fact that valuable findings will be made is a statistical certainty, as proved by the past.

Indeed, two general observations may be made on this point: (*a*) competent research is never without value in the progress of science; and (*b*) the financial returns on only a few highly successful projects far more than pay for the total cost of basic research.

In fact, the industries know this very well, indeed.

The programs of the National Science Foundation are aimed directly at meeting the urgent needs in these important categories. In the considered view of the NSF, the budget request of the President represented truly minimum needs; the present reduction, applying as it does chiefly to the support of basic research and of training for scientists and engineers, represents a serious deficit in our investment.

Unless we take immediate steps to repair this kind of deficit, our failure to do so will impair the quality of our research and the training of new scientific and engineering personnel in the next few years as well as curtail the long-term growth of science and technology so essential to the future strength of the Nation.

CUT IN FUNDS FOR RESEARCH PROPOSAL APPLICATIONS

Now, going directly to this reduction in the budget on our programs:

I will just say that the 1963 budget estimate was $125 million for the support of approximately 32 percent of the estimated $392 million which we will receive in the form of research proposal applications.

An amount of only $107,750,000 will be available for basic research grants within the appropriations passed by the House. This amount will support only 27.5 percent of the expected dollar volume of the proposals——

Senator ELLENDER. Doctor, what do you mean by "receiving proposals"?

APPLICATIONS FOR SUPPORT FROM COLLEGES

Dr. WATERMAN. These are applications for support from——

Senator ELLENDER. Do you mean from the various colleges?

Dr. WATERMAN. They would be from various colleges for certain individuals within those institutions or groups of individuals.

Senator ELLENDER. And you say that this amount will provide about 30 percent of those?

Dr. WATERMAN. Yes. The original budget will provide for 32 percent of these which will come to us. Almost all of them——

Senator ELLENDER. Are those requests in the nature of money demands?

Dr. WATERMAN. Yes, they are.

Senator ELLENDER. To construct buildings?

Dr. WATERMAN. Usually not.

Senator ELLENDER. Facilities?

Dr. WATERMAN. The construction of facilities comes under another item in our budget.

These are for graduate assistants, and for equipment and supplies needed for the research.

Senator ELLENDER. Well, if the forty-seven and three-quarter million dollars is not provided by the Senate who will have the responsibility of distributing whatever is given in that case?

Dr. WATERMAN. This will be the Foundation. It would be in our hands.

Senator ELLENDER. And can it be allocated as you see fit?

LIMITATIONS

Dr. WATERMAN. At present, yes, with the exception of one small item of $250,000.

And another one, a limitation that we must put at least $37.6 million into the Institutes for the training of high school science and mathematical teachers.

Senator ELLENDER. And those are the only limitations?

Dr. WATERMAN. Yes, they are the only limitations.

Senator ELLENDER. And if you desire, you can cut from one and give it to the other——

Dr. WATERMAN. Yes.

Senator ELLENDER. To make the money go as far as you wish, and for the things that you desire?

Dr. WATERMAN. Yes, sir.

Senator ELLENDER. I will go into this in a little more detail later, Mr. Chairman.

Senator MAGNUSON. I might point out to the committee that there, of course, the Foundation's basic authority or authorization is pretty broad in its field, and it was deliberately made so when the bill was passed by Congress.

The chairman is quite familiar with it because he was the author of the bill.

Senator ELLENDER. I was here in Congress and I voted for it, Senator.

Senator MAGNUSON. Yes, you voted for it, Senator Ellender.

Senator ELLENDER. Senator Smith also was here, from Missouri, I think.

Senator MAGNUSON. And it arose out of the fact that some of the gentlemen here and Dr. Vannevar Bush and our friend over at Johns Hopkins, who is now dead, all got together and knew that after the

war this was going to hit us because of our system of drafting and taking youngsters regardless of who they were, which is our American way of doing it.

And we saw the need for this to fill up this gap, and this is how the Foundation came into existence.

But we did give broad authority so that they could, with the advice of the Board that you have and other people, picked the projects, but the answer is that they have many more very desirable things that could be done even beyond the amount of the budget.

So it requires a process of selection and sometimes that is a very difficult one.

Dr. WATERMAN. That is correct, very correct.

EFFECT OF HOUSE CUT

Senator MAGNUSON. And with the House cut it would be that they would have to cut out some not only worthy projects but projects that were worthy, with a plus sign behind them, because the very fact that their priority makes them seem even more worthy than the other things that we should do.

Dr. WATERMAN. The entire program is based on what we think is most important and, in this, we have the assistance of the Board.

Senator MAGNUSON. Yes, and Dr. Bronk is here representing the Board.

Dr. WATERMAN. Our general principle, when faced with a reduction of this sort, is that it is very difficult to know what we can do, but we feel that the most important thing is to avoid starting something new, because if we did we would start it with insufficient funds to assure a satisfactory program, and the other, where we would like to make an expansion in a current program, we feel that, perhaps, we had better not.

So our general philosophy in facing the reductions is generally along those lines.

Senator ELLENDER. You have been connected with the Foundation ever since its inception?

Dr. WATERMAN. That is correct.

Senator ELLENDER. If I recall, I think the first appropriations asked for about $15 million?

Dr. WATERMAN. $14 million.

Senator MAGNUSON. We asked for a little more, but that is what we got.

Dr. WATERMAN. The first we actually got was $3½ million.

Senator MAGNUSON. $3½ million was the first one to get started.

Senator ELLENDER. That was just organizing it. They could not do much with that small amount of money.

Here we have, about 10 years later——

Dr. WATERMAN. This will be the 12th year.

Senator ELLENDER. Well, 12 years later you are now asking for $358 million That is quite a sum.

Dr. WATERMAN. Yes, it is.

Senator ELLENDER. And before you get through with your testimony I would like to ask a few questions as to how that is distributed to these colleges.

Dr. WATERMAN. Fine.

Senator YOUNG. Do you have a breakdown of the items for which these funds will be expended?

Dr. WATERMAN. It is in our budget here.

Senator MAGNUSON. Oh, yes, it is all in here.

Dr. WATERMAN. It is on page 3, I think, in here.

Senator MAGNUSON. It is all broken down in detail. On page 3 you have the general breakdown.

Dr. WATERMAN. Page 3, yes.

Senator MAGNUSON. Yes, here on page 3, Senator Young, you will find in a general way the breakdown as to where this generally goes.

Dr. WATERMAN. This is listed by the actual budget fiscal 1961, the estimate for 1962, and the estimate for 1963.

Senator MAGNUSON. We might just, for the record, Senator Young, if you wish——

Senator YOUNG. Yes.

Senator MAGNUSON. State that for the support of science which, of course, is the main objective of the Foundation, in 1961, for basic research, it was $64 million, and then $85 million and this year, in 1963, it would be $125 million.

Senator YOUNG. I wonder if you can briefly describe each one of these, just very briefly.

Senator MAGNUSON. Yes.

Dr. WATERMAN. Oh, yes.

Senator MAGNUSON. Then, if you will turn to basic research, it is broken down here.

Senator ALLOTT. Mr. Chairman, on that point I wonder if I could suggest that the figures on page 3 be made a part of the record.

Senator MAGNUSON. Yes, that is a good idea.

On page 4 you will find the percentages——

Dr. WATERMAN. Yes.

(The information referred to follows:)

NATIONAL SCIENCE FOUNDATION

Summary of budget estimate, by fiscal year

	Actual, fiscal year 1961	Estimate, fiscal year 1962	Estimate, fiscal year 1963	Increase (+) or decrease (−), fiscal year 1963 compared with 1962
Support of science:				
Basic research	$63,894,409	$85,129,339	$125,000,000	+39,870,661
Institutional grants	1,496,616	5,000,000	10,000,000	+5,000,000
Basic research facilities	15,018,143	45,800,000	61,500,000	+15,700,000
National research centers	7,908,269	11,300,000	14,000,000	+2,700,000
National research programs	8,112,800	10,500,000	17,500,000	+7,000,000
Dissemination of scientific information	6,406,089	8,637,294	12,300,000	+3,662,706
Program development, operation, and evaluation	2,531,463	3,427,000	4,263,000	+836,000
Subtotal	105,367,789	169,793,633	244,563,000	+74,769,367
Support of scientific manpower:				
Fellowships	13,119,432	17,900,000	23,000,000	+5,100,000
Institutes	34,500,102	41,850,000	42,800,000	+950,000
Research participation for teachers	2,647,437	2,858,320	4,100,000	+1,241,680
Science education for undergraduate students	3,387,775	3,800,000	6,000,000	+2,200,000
Instructional equipment for undergraduate education	0	5,000,000	8,000,000	+3,000,000
Science education for secondary school students	3,049,896	3,400,000	5,000,000	+1,600,000
Public understanding of science	326,679	500,000	500,000	0
Course content improvement	6,410,871	9,000,600	17,000,000	+7,999,400
Scientific personnel and education studies	1.018,585	1,149,700	1,400,000	+250,300
Program development, operation, and evaluation	2,363,472	2,700,000	3,750,000	+1,050,000
Subtotal	66,824,249	88,158,620	111,550,000	+23,391,380
Executive direction and management	2,678,712	3,644,870	4,637,000	+992,130
Subtotal	174,870,750	261,597,123	360,750,000	+99,152,877
Allocations to other Government agencies	124,713	96,749	0	−96,749
Total	174,995,463	261,693,872	[1] 360,750,000	+99,056,128

[1] Includes $2,750,000 unobligated of fiscal year 1962 appropriation.

Percentage distribution of Foundation funds

	Actual, fiscal year 1961	Estimate, fiscal year 1962	Estimate, fiscal year 1963
Support of science:			
Basic research	36.5	32.5	34.6
Institutional grants	.9	1.9	2.8
Basic research facilities	8.6	17.5	17.0
National research centers	4.5	4.3	3.9
National research programs	4.6	4.0	4.9
Dissemination of scientific information	3.7	3.3	3.4
Program development, operation, and evaluation	1.4	1.3	1.2
Subtotal	60.2	64.8	67.8
Support of scientific manpower:			
Fellowships	7.5	6.8	6.4
Institutes	19.7	16.0	11.9
Research participation for teachers	1.5	1.1	1.1
Science education for undergraduate students	1.9	1.5	1.7
Instructional equipment for undergraduate education	0	1.9	2.2
Science education for secondary school students	1.7	1.3	1.4
Public understanding of science	.2	.2	.1
Course content improvment	3.7	3.5	4.7
Scientific education and personnel studies	.6	.4	.4
Program development, operation, and evaluation	1.4	1.0	1.0
Subtotal	38.2	33.7	30.9
Executive direction and management	1.5	1.4	1.3
Subtotal, National Science Foundation	99.9	99.9	100.0
Allocations to other Government agencies	.1	.1	0
Total	100.0	100.0	100.0

SUPPORT OF SCIENCE

Senator MAGNUSON. In the different fields of science.

Dr. WATERMAN. Under a tab entitled "Basic Research Grants," page 22, Senator Young, you will find details about the basic research program on that particular item.

Senator ELLENDER. Well, I notice, on page 18, where support of science takes the large share, there is $244,563,000 allocated.

Dr. WATERMAN. Yes. This includes not only the regular basic research grants which you asked about, Senator Ellender, but also basic research facilities, national research centers, national research programs, dissemination of science information——

Senator ELLENDER. I understand, but all of that, as I said, is handled through the colleges?

Dr. WATERMAN. Yes, sir.

Senator ELLENDER. You grant that?

Dr. WATERMAN. Yes.

Senator ELLENDER. That is the amount that you grant for the various——

Dr. WATERMAN. Yes, almost entirely but not entirely.

Senator ELLENDER. Yes, and that is what I want to go into, as to how this is done.

This thing is growing like "Topsy."

SUPPORT OF SCIENTIFIC MANPOWER

Senator MAGNUSON. And then on further down there is support of scientific manpower. That is fellowships and things of that kind, $111 million.

ADMINISTRATION

And the executive part of the foundation is only $4,637,000.

Senator ELLENDER. That is for administration.

Senator MAGNUSON. Yes, all the rest is out in the field.

Senator ELLENDER. The cost of administration now is more than they asked the first time.

Senator MAGNUSON. Well, we were first getting started then, and——

Senator ELLENDER. I understand that.

Senator MAGNUSON. We knew it would cost a great deal.

Dr. WATERMAN. In this budget breakdown, Mr. Chairman, the support of science has a special item in it called program development, operation, and evaluation, which is the cost of administration directly associated with that item.

Similarly, in support of scientific manpower you will see the last item is program development, operation, and evaluation. So, to some extent, the administrative costs are broken down, and then the final item represents the additional administrative expenses for the entire Foundation.

Senator ELLENDER. Well, Senator Magnuson, I believe the——

Senator MAGNUSON. Well, we will go into any of these items now, if you wish.

Senator ELLENDER. Yes. I believe the most important pages to look at, I would think, would be pages 18 and 194.

Senator MAGNUSON. No. 18?

Senator ELLENDER. Yes. On page 18 it indicates, as I have just stated, that $244,563,000 is for support of science, and then on page 194, the support of scientific manpower is $111,500,000.

Senator MAGNUSON. That is right.

Senator ELLENDER. And it is the detail here or, at least, a general idea of how the money is being spent.

Senator MAGNUSON. Yes.

Senator ALLOTT. Will the Senator yield to me for the insertion of one figure in line with this?

Senator ELLENDER. Yes.

Senator ALLOTT. This means that of the sums, not the $4 million but $12,650,000, is used in the supervision and management of these programs?

Dr. WATERMAN. That is correct.

Senator MAGNUSON. For all programs.

Senator ALLOTT. Thank you very much.

Senator ELLENDER. That has increased them how much over the years, Dr. Waterman?

Can you give us that?

Dr. WATERMAN. Yes; we can give you the figures for our previous years.

(The information referred to follows:)

Summary of operating costs for fiscal years 1951–63

Fiscal year	Total obligations (1)	Operating costs (2)	Percent of operating cost to total obligations col. (2) and col. (1) (3)
1951	$150,928	$150,928	100.0
1952	3,466,000	516,046	14.8
1953	4,423,615	882,544	20.0
1954	7,953,529	1,177,901	14.8
1955	12,486,263	1,272,571	10.2
1956	15,988,935	1,764,221	11.0
1957	38,629,991	2,070,088	5.4
1958	49,973,471	3,395,031	6.8
1959	132,940,143	5,261,401	4.0
1960	158,599,535	6,507,807	4.1
1961	174,995,463	7,573,647	4.3
1962	260,865,673	9,317,768	3.6
1963 (estimated)	360,750,000	12,650,000	3.5

PROGRAM PATTERN

Senator ELLENDER. Well, why separate it on the first page here where you have executive direction and management, $4,637,000?

Mr. ROSENTHAL. This is a pattern in which we have been requested to show these various components of costs associated with each of the program elements.

I should like to point out, however, that as our programs have increased, if you will turn to page 4, the percentage that we have allocated to administrative costs have been going down proportionately to the total year by year.

We have not increased our administrative costs in the same proportion as we have our program costs.

Senator ELLENDER. I suppose that is to be expected.

Dr. WATERMAN. Three and a half percent is the overall figure.

Mr. ROSENTHAL. Sir?

Senator ELLENDER. I say, that is to be expected?

Senator MAGNUSON. Three and a half percent is the overall figure for the administrative costs of all of the programs.

Right?

Mr. ROSENTHAL. Yes.

Senator ELLENDER. How about your program on this?

ADMINISTRATIVE EMPLOYEES

How many people have you employed on the administration of your programs?

Mr. ROSENTHAL. 735.

Senator ELLENDER. And it takes a little over $12 million to pay those?

Mr. SCHOEN. No, sir.

Senator ELLENDER. Well, somebody said $12 million.

Dr. WATERMAN. That includes salaries of staff, consultants, and advisory panels.

Senator ELLENDER. How is that?

Mr. SCHOEN. That is more than salaries, sir.

It includes travel costs, retirement benefits paid directly by the Federal Government, and administrative contracts.

It includes a number of contracts covering economic studies of the effects of science on the economy, surveys of science resources, and the utilization of scientific manpower, which is about $900,000 in that program.

So this is not all personnel services.

Senator ELLENDER. Well, I understand that, but this $4,637,000 that you have on page 1, under executive direction and management, why is that separated from the rest of the cost?

At whose request was that done?

Mr. SCHOEN. That was done about 6 years ago in connection with the Bureau of the Budget and Appropriation Committees as they agreed to these so-called activities.

Now, we do provide a summary of the overall figure. That was not to confuse the issue.

PROGRAM DEVELOPMENT COST IN EACH ACTIVITY

Senator ELLENDER. I did not say it was. I just wanted to find out.

Mr. SCHOEN. The purpose of this breakdown is to include the program development cost in each activity. For example, under the support of science activity are those people directly engaged in administering the programs of science that are reflected under that activity?

These include the assistant director, for example, of the mathematics and physical and engineering sciences who is responsible for administering the processing of research grants in that area which involves contacts with the institutions, evaluating the research proposals, securing the appropriate consultants, and so on.

So that what we have done in this particular type of presentation is to try to reflect the full cost of each activity, including personal services against that particular activity.

And then in order to make it clear to the Congress what the total bill was for all of these operating costs we included on pages 12 and 13 and 14 a summary of what all this adds up to.

So that you will have it both ways.

Senator ELLENDER. Then I presume this amount of $4,637,000, which is separately identified, is going to come out of the $244 million for the support of science?

Mr. SCHOEN. That is right.

Senator ELLENDER. It is taken out of that?

Mr. SCHOEN. Yes, sir, that is right.

Senator ELLENDER. Now, how is that amount taken out? I mean, how do you figure it?

Is there any limitation as to how much you can use of the $244,563,000?

Mr. SCHOEN. There is not a legal limitation. All the staffing plans are reviewed with the Bureau of the Budget and we have conformed to the budget in all prior years.

Senator ELLENDER. Yes, but it is left to you to submit to the budget what you require?

Mr. SCHOEN. Yes.

Senator ELLENDER. And there is no limitation at all in the law?

Mr. SCHOEN. No, sir, not in the appropriations act.

Senator ELLENDER. I see.

Mr. ROSENTHAL. Mr. Ellender, if I may inject this, the reason I thought was significant—I thought it was significant to point out the fact that the administrative costs were going down was because of the point that the chairman raised later.

In spite of the fact that the Director has this authority to distribute it as he sees fit, this has, nevertheless, been used with a great deal of discretion and judgment, and the administrative costs have not gone up in the same proportion as the program costs.

Senator ELLENDER. Well, I will not argue that point, but to distribute $5 million may not cost any more than to distribute $10 million. It can be done by just increasing the ante to each college.

Mr. SCHOEN. No, sir, excuse me.

Dr. WATERMAN. Go ahead.

Senator ELLENDER. Go ahead.

Mr. SCHOEN. I think it is important to recognize that what we are dealing with is a larger population of people.

For example, we have to examine and evaluate the scientific merit of every proposal that is received in order to insure equity to every person or every applicant, and I say that just to show you the way the workload has increased.

TOTAL RESEARCH PROPOSALS

In 1955 we received 1,353 research proposals and our 1963 estimate of those proposals, and many of them are more complex than they were, is 6,000.

Senator ELLENDER. Now, from what source do you receive the proposals?

Mr. SCHOEN. About 95 percent of them are from colleges and universities.

Senator ELLENDER. Now, are those projects that they start or that they have in mind and cannot finance?

Mr. SCHOEN. That is right, sir.

Dr. WATERMAN. Some are continuing.

Senator ELLENDER. Will you give us some examples?

TYPICAL PROJECT

Dr. WATERMAN. Oh, the typical project would be one that is headed by a person called the chief investigator who is the man in charge of the project, and he will have with him associated, perhaps, a graduate student or two or he may be working with junior associates, or he may have regular assistants with him, who are senior people, established, and there will be involved in this some equipment which is needed for his research and some supplies which might be expendable which might be used in the project, and also, to a certain extent, the time which is spent on the research by the members of the team.

This will be reimbursed at the regular salary rate at the university for this time spent actually on research.

Senator ELLENDER. Universities do not generally expect that to be completely reimbursed.

Dr. BRONK. I think that is an important point you make, Senator Ellender.

It is very significantly cooperative—a cooperative program between the State universities and private universities and the Federal Government.

Senator ELLENDER. But does all of that come under "Support of science"?

Dr. WATERMAN. That comes under "Support of basic research," yes, sir.

Senator ELLENDER. None of it comes under "Support of"——

Dr. WATERMAN. No.

Senator ELLENDER. That is a separate——

Senator MAGNUSON. Those are fellowships, and so on.

Well, what happens is that universities may start on something or some students or even a professor, and they think they have got something that will be of help, and they have not quite got enough to get into it, so they ask the Science Foundation about it, tell them what they have, tell them to take a look at it, and then it will be reviewed and they will say, "Well, this is something that we ought to encourage."

But a great deal of effort and the total cost of the project, I do not think, under any circumstances would ever be completely financed by the Science Foundation.

There are all kinds of side costs that are not included in any project, and I do not care what kind of a project it is.

There is voluntary help where somebody or you might finance or help finance two or three, and five or six other of these top students get excited about it and they just come in.

Senator ELLENDER. Senator Magnuson, we have the same system as that employed in the Army, the Navy, and the Air Force.

They get ideas from different people and they take them and work them up almost in the same manner as is done here through the colleges.

To me, there ought to be some kind of coordination. That is why I am asking these questions.

Senator MAGNUSON. Yes. Well, I think they can point that out to you.

RESEARCH EXPENDITURES

Senator ELLENDER. Yes, but to me it is growing very large. And it was pointed out some time ago that we are now spending in the neighborhood of $12 billion a year in research.

Dr. BOLT. May I make a comment? The amount for total research and development is $12 billion or perhaps it is 13 or 14 exactly but out of that only about $2 billion is for basic research of the type that we are discussing here.

That is done in the colleges and the universities.

Senator ELLENDER. I cannot see the difference. I am not a scientist, but I cannot see the difference between a proposal of this kind, for instance, that you receive from a college and that which emanates from the mind of some student there or professor. You want to develop that.

Then there might be a man from my State, and I get them quite often, who has an idea and if this idea is studied it might help in the development of a missile or something like that.

DUPLICATION

Well, I have sent quite a few to the armed services and what do they do? They begin to study it, the same way as you do at these colleges, don't you see?

And that is why I say there must be a lot of duplication in that.

Dr. WATERMAN. Well, we are looking at that in various ways, Senator Ellender.

In our case I should point out we do not have any particular practical objective such as defense or health.

We are interested in promoting the scientific potential of the country and all areas of research so as to uncover all of the ideas that exist.

Now, there is a very important reason why this coordination takes place among the scientists themselves in the basic research area where you are interested in obtaining more knowledge of that nature and about men, and so forth, and that is simply this:

A basic research man makes his reputation by the originality of his work. What he does must be a first. If it is not a first, if someone else has done it before, he has a black mark in his record, and there is no quicker way to bring about professional suicide in science than to publish something that somebody else has already done.

As a result, when a man thinks about something that he has to do, he has to check very carefully in his college and in his literature to see that this has not already been done.

Senator ELLENDER. Well, to go back to the details here:

INCREASE FOR BASIC RESEARCH

In basic research you are asking for an increase over 1962 of $39,870,661.

Dr. WATERMAN. Yes, sir.

Senator ELLENDER. In other words, a total of $125 million. Now, how is that distributed?

Can you give us a breakdown of the colleges that receive that?

Dr. WATERMAN. They are on tab A, Senator Ellender, at the back of the budget book.

This gives the colleges by States and the grants that have been made.

Senator ELLENDER. Are there any colleges that receive an annual contribution out of this basic research fund without having to make further applications?

Dr. WATERMAN. No, sir. These are awarded in connection with a particular project and then when the life of that project terminates, according to the grant, they may apply for a continuation, but then that involves an additional review.

So they are not just given this in perpetuity. It is based entirely on the proposal that they submit.

Senator ELLENDER. Well, can you give us an offhand list of the colleges that receive most of this money?

Senator MAGNUSON. It is right here in this tab.

Senator ELLENDER. I understand that it is here, but I want to put all of that in the record. We have been told——

Dr. WATERMAN. We can certainly prepare this.

Senator ELLENDER. We have been told that Princeton gets most of the money, or if not most, a good deal of it.

We have also been told that MIT gets a lot and that California gets a lot, and the rest some.

Harvard gets a little bit and other colleges get very small amounts, and I want to repeat what I said on other occasions, and it is in the record, and this was said by some member representing Princeton, that if it were not for the fact that they received money from you and from the armed services, Princeton would have to close.

In other words, we are operating Princeton. What have you got to say to that?

Dr. WATERMAN. Well, I can certainly say this, that the Government is now certainly providing a great deal of support to the universities, and I want to emphasize very strongly that this is very much in the national interest.

Senator ELLENDER. I am not arguing that, Doctor.

Dr. WATERMAN. Yes.

Senator ELLENDER. I am not arguing that, but I do not want to sink it all in one spot.

Do you not see the point?

Dr. WATERMAN. Right. Yes; I do.

Senator ELLENDER. And I think it ought to be distributed throughout the Nation, if you want to do anything like that, particularly in backward places.

Dr. WATERMAN. Well, as I stated a few minutes ago, we deal with some 400 or more institutions. The distribution——

ALLOCATIONS TO PRINCETON, MIT, AND UNIVERSITY OF CALIFORNIA

Senator ELLENDER. Well, now, since we have mentioned Princeton, MIT, and California, rather the university there, how much out of this $244 million will they get this year? How much have you allocated to them?

Dr. WATERMAN. I could not answer that directly. We could submit it for the record.

Our principle here, Senator Ellender, is as follows: If we are going to progress in basic research, as we should, we have to go where the best research people are and——

Senator ELLENDER. You keep on building them up and they will soon end up with it all. And that is what I am complaining about.

Dr. WATERMAN. Well, it is quite natural that the largest institutions, with the strongest graduate students, will have the most highly competent research people.

So if we are going to do right by research in the country it is quite natural that most of the projects will be there.

On the other hand, when we have surveyed statistics of what we actually do, we find that the distribution of our grants conforms very nearly to the population in the different parts of the country.

It more accurately corresponds to the graduate college population. And where we come out in making our distribution, where we make a cutoff because of budget requirements, we pay special attention to geographic distribution, to small institutions, to young, untried scientists, who have not made themselves known as yet.

And in that way we have succeeded in keeping the distribution quite broad, but one cannot avoid the fact that the majority of the top people in research are at the large graduate schools and, therefore, more projects would go to the larger schools, but the others are not being ignored.

GRANTS TO SMALL COLLEGES

As a matter of fact—this is interesting—the percentage of grants we make, compared to applications, is highest among the small colleges rather than the big ones.

Dr. BRONK. I think it might be interesting to Senator Ellender to comment on the fact that many of us have been very much interested in just this point that you make, sir.

During this past spring, for instance, many of us participated in a large conference down in Dallas, directed toward the general problems of how to stimulate more advanced education in the sciences all through the South.

And we had this 3-day conference there devoted entirely to this problem.

I think there is a growing recognition of the fact that graduate education is going to have to play a larger, much larger part in all of our universities throughout the country, because this is one of the reasons why the Science Foundation and especially the National Science Board has been so much concerned with ways in which we can strengthen the institutions all over the country by making these institutional grants as well as the support of research projects.

Senator MAGNUSON. Well, you recall, Dr. Bronk, that we brought this up, or we started this 4 or 5 years ago when it looked like the trend, not deliberately, but the trend was moving to place these pretty close together geographically. So we went about, and you will find it in a lot of the testimony, to try and reverse the trend and do more of a spread, and one of the reasons this was desirable among other ways is that you folks found, generally, that the fellow who had the grant or the scholarship or did research work in a small post, a smaller college, was more apt to fall into the teaching field later on than he was if he went into one of the big ones where the industry people were out looking for him.

And I can see a reversal of the trend from, say, 6 or 5 years ago when we started this.

Dr. WATERMAN. Yes.

Senator MAGNUSON. We discussed this quite at some length with you.

Dr. BRONK. Yes.

Senator ELLENDER. I would like to point out in that connection, Senator Magnuson, that in New Jersey, for instance, of all the colleges and institutions that you have in that State for grants and contracts on the basis of research, Princeton University gets more than the rest of the schools in that area put together, that is, in the State.

Dr. WATERMAN. That would be true of the large universities in any State.

Senator MAGNUSON. The University of Washington in my State gets more than double, triple, quadruple; more than all the rest of them. But that is because they have the things there and the potential required to do this.

Senator ELLENDER. And the same thing holds true for grants to support science, Princeton gets this quite a lot, and I understand that Princeton University is heavily endowed. I don't have it in for Princeton, don't misunderstand me. But the record that was developed before the Defense Department—and this came from the mouth of one of the people representing Princeton—was emphatically that if it weren't for the grants by you and the Armed Services they wouldn't be able to go on.

I am just wondering whether by this or other means we are not supporting our colleges indirectly. As you know, legislation has been pending before the Congress designed to allow the Government to furnish to various universities certain amounts of assistance. And this job of assistance is being done indirectly by the armed services and through you and other research institutions in which the Government is furnishing the major part of the money.

Dr. WATERMAN. But we have to be very clear on one point, and that is that when we are talking about basic research we are not talking about orders of magnitude such as $12 billion or anything like that; in fact, for the last year the total amount spent for basic research in the entire country was $1.3 billion.

Of that only $575 million was supported by the Federal Government; of which $350 million went to colleges and universities. So when you say basic research, these amounts are only a small fraction of the total amounts for research and development.

Another thing to be taken into account is that some of the large universities have associated with them research centers supported largely by the Department of Defense. Those are very substantial establishments. They are not directly in the educational scheme of things.

Senator ELLENDER. But the buildings were so constructed that they can be used by the schools.

Mr. WATERMAN. But those are not basic research.

Senator ELLENDER. I know that. But it is all science.

LOS ALAMOS LABORATORY

Mr. BOLT. The Los Alamos Lab, for example, is not a part of the educational establishment at Berkeley, though it is operated by the University of California.

Senator ELLENDER. And that was constructed by the Federal Government.

Mr. BOLT. Right.

Senator ELLENDER. And you have got a few tunnels in that—the university laboratories were constructed for the purpose of developing various instruments for the Government which the colleges couldn't construct, and I understand that.

But I am complaining about the maldistribution that directs these funds only to limited centers.

For example, the last 3 years, fiscal years 1961, 1962, and what you propose in 1963, I would like to get how the money was distributed in the various categories, the basic research, institutional grants, basic facilities, national research centers, and things like that.

Where are we spending that money?

Mr. WATERMAN. We can't predict that yet for 1963 because we don't have the applications in for that year, these are only estimates. We can do that for past years.

Senator ELLENDER. For fiscal year 1960, then, 1961, and 1962.

(Requested information follows. Fiscal year 1962 information has not been completely tabulated at this time:)

Grants and contracts in basic research and facilities for support of science

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Alabama:			
Alabama Polytechnic Institute	$20,300		
Auburn University			$96,000
Tuskegee Institute		$5,000	7,800
Jacksonville State College		10,800	
University of Alabama	4,140	98,000	
Subtotal	24,440	113,800	103,800
Alaska: University of Alaska	164,000	123,800	482,100
Arizona:			
Arizona State College	28,600		
Arizona State University		359,800	20,000
Association of Universities for Research in Astronomy, Inc.	160,000	252,300	74,800
University of Arizona	447,200	676,800	847,300
Lowell Observatory		272,900	
Subtotal	635,800	1,561,800	942,100
Arkansas: University of Arkansas		79,800	177,500
California:			
Royal P. Marshall	9,600	7,950	
Ernest R. Tinkham	350		
Aerometric Research, Inc	57,100	163,000	9,366
Atmospherics, Inc			11,400
Atmospheric Research Group		195,700	
Beaudette Foundation for Biological Research	8,800	20,800	26,000
California Academy of Sciences	108,000	18,000	27,450
California Arboretum Foundation	29,900		
California Institute of Technology	813,822	804,431	1,158,416
City of Hope Medical Center	67,600	44,150	86,700
Chico State College		19,500	
College of Medical Evangelists	12,000	16,740	11,000
College of the Pacific		350	
Earthquake Engineering Institute		16,800	
William C. Erickson		1,000	
Elsworth Dougherty			10,760
Frederick Burke Foundation		9,800	42,400
Fresno State College		5,900	7,300
Global Marine Exploration			1,068,571
Harvey Mudd College		4,100	28,200
Hartnell College		21,800	
Kaiser Foundation	8,500	107,808	2,000
La Serra College		2,700	
Ernest R. Linkham		2,200	
Lockheed Aircraft Corp		16,300	
Long Beach State College	31,500		45,200
Los Angeles County Museum	10,000	13,300	130,000
Los Angeles State College		35,100	44,000
Mills College			3,000
Occidental College		10,300	
Orange County State College Foundation			22,800
Pomona College	20,800	11,500	
Pacific Union College		20,000	
Pasadena Foundation for Medical Research			95,400
Rancho Santa Anna Botanic Gardens	7,100	15,200	12,100
Sacramento State College	7,500	14,100	21,500
St. Mary's College of California			4,500
San Diego State College	10,800	52,300	103,800
San Diego Society of Natural History			19,200
San Fernando State College		3,000	
San Jose State College	20,600	25,000	10,900
Santa Barbara Botanic Gardens		12,800	
Shasta College			4,200
Scripps Clinic and Research Foundation	23,000		
Stanford Research Institute			34,800
Stanford University	1,092,863	1,676,699	2,703,083
University of California	3,481,814	5,788,275	6,685,519
University of San Francisco	15,000		25,600
University of the Pacific			11,550
University of Redlands		2,400	360

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
California—Continued			
University of Santa Clara		$9,800	
University of Southern California	$271,800	517,700	$382,580
World Life Research Institute		1,400	
Subtotal	6,108,449	9,687,903	12,849,655
Colorado:			
Colorado College			32,800
Colorado School of Mines		72,900	
Colorado State University	122,450	229,700	309,700
Loren W. Crow			22,600
High Altitude Observatory	90,600	134,060	
Mercy Institute for Bio Medical Research			44,600
Gerald Richmond			11,090
Rocky Mountain Biological Laboratory		9,000	51,000
Richard Scott			2,600
University of Colorado	258,760	324,650	485,700
University of Denver		15,000	50,700
Subtotal	471,810	785,310	1,010,790
Connecticut:			
Connecticut Agricultural Experimental Station	8,100	20,000	19,900
Connecticut College	15,100		
Hartford Seminary Foundation		6,400	
Human Relations Area Files		28,800	
Institute of Living		61,500	
Pomfret School			6,800
New England Institute for Medical Research			25,600
Public Service Research Institute, Inc			13,100
Trinity College	17,550	23,800	
University of Connecticut	97,300	135,400	123,050
Wesleyan University	71,400	124,400	59,400
Yale University	1,437,200	1,262,800	1,249,140
Subtotal	1,646,650	1,663,100	1,496,990
Delaware: University of Delaware	206,600	90,400	82,940
Florida:			
Cape Haze Marine Laboratory, Inc	1,800	9,500	10,700
Florida Geological Survey		1,800	27,400
Florida Presbyterian College			23,100
Florida State University	263,000	238,200	712,204
Rollins College			23,500
University of Florida	228,000	399,115	462,580
Marine Laboratory	20,000		
University of Miami	368,980	304,100	678,300
University of South Florida			13,500
Subtotal	881,780	952,715	1,951,284
Georgia:			
Agnes Scott College		3,400	
Emory University	69,200	107,980	83,600
Georgia Institute of Technology	1,093,900	145,100	314,300
Georgia State College of Business Administration		10,100	
Mercer University	2,600		
Oglethorpe University	20,700	15,800	
North Georgia College			11,300
University of Georgia	111,450	496,800	136,800
Subtotal	1,297,850	779,180	546,000
Hawaii:			
Bernice P. Bishop Museum	171,600	112,866	32,546
University of Hawaii	97,500	198,500	509,800
Subtotal	269,100	311,366	542,346
Idaho:			
Idaho State College		30,700	14,200
Northwest Nazarene College	31,500		37,700
Ricks College		6,000	
University of Idaho	4,500	36,900	68,700
Subtotal	36,000	73,600	120,600

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Illinois:			
Anna State Hospital			$24,200
Augustana College		$14,000	
Chicago Medical School			29,400
Chicago Natural History Museum	$47,000	37,700	52,100
De Paul University	11,200	47,100	
Elgin State Hospital		18,000	
Greenville College	17,000		
Illinois Archeological Survey			40,000
Illinois Institute of Technology	174,900	168,700	102,200
Lackland Foundation		9,800	
Illinois Wesleyan University			10,600
Loyola University		8,600	37,200
Michael Reese Hospital	20,000	60,800	22,000
Macmurray College		2,500	
Mount Sinai Medical Research Foundation	39,700		
Northern Illinois University	9,600		19,900
Northwestern University	710,800	328,500	763,030
Principia College		14,300	
Roosevelt University		11,500	9,400
Snow, Ice, and Permafrost Research Establishment	200,000	19,000	
Southern Illinois University	27,100	41,400	144,500
U.S. Army Cold Regions Research and Engineering Laboratory			38,860
University of Chicago	2,029,850	1,856,820	1,666,050
University of Illinois	1,260,000	1,237,987	2,182,050
Western Illinois University			6,800
Wheaton College	5,300		
Subtotal	4,552,450	3,876,707	5,148,290
Indiana:			
Butler University	6,000		
De Pauw University		30,500	
Earlham College		56,200	33,750
Evansville College			8,300
Goshen College	11,600		
Hanover College	1,500		
Indiana Historical Society			12,100
Indiana University	514,500	509,095	761,900
Manchester College	5,800	21,500	3,600
Purdue Research Foundation	634,700	599,700	1,447,500
University of Notre Dame	201,300	233,100	237,900
Rose Polytechnic Institute		15,000	
Valparaiso University	1,600	6,800	26,400
Wabash College	12,000		21,200
Subtotal	1,389,000	1,471,895	2,552,650
Iowa:			
Coe College			9,700
Cornell College	16,300		1,350
Grinnell College	14,800	46,700	75,000
Iowa State University of Science & Technology	381,650	365,000	276,200
Marycrest College	2,500		
Luther College	3,200	5,200	
State University of Iowa	328,500	341,540	463,500
Subtotal	746,950	758,440	825,750
Kansas:			
Center for Research and Engineering Sciences		17,800	
Kansas State College of Pittsburg			4,800
Kansas State Teachers College	7,000	3,800	25,500
Kansas State University of Agriculture & Applied Sciences	122,700	97,700	87,700
Kansas Wesleyan University		7,000	1,000
St. Mary of the Plains College	7,100		
University of Kansas	464,500	790,193	550,531
University of Kansas Medical Center		20,200	27,000
University of Wichita	9,750	30,200	15,000
Subtotal	611,050	966,893	711,531
Kentucky:			
Berea College		24,100	
Kentucky Research Foundation	96,300	55,200	183,300
Nazareth College	3,000		
University of Kentucky			27,100
University of Louisville	58,780	54,600	217,600
Subtotal	158,080	133,900	428,000

Grants and contracts in basic research and facilities fo support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Louisiana:			
Alton Ochsner Medical Foundation	$20,000		
Louisiana Polytechnic Institute	8,800		
Louisiana State University	100,500	$245,560	$197,900
Loyola University	6,500		
Northeast Louisiana State College	4,000	4,300	
Southwestern Louisiana Institute		15,500	
Tulane University	267,300	356,400	298,520
University of Southwestern Louisiana			31,300
Subtotal	407,100	621,760	527,720
Maine:			
Bowdoin		50,400	
Colby		11,500	16,800
Roscoe B. Jackson Memorial Laboratory	261,000		26,000
University of Maine	4,700	63,000	
Subtotal	265,700	124,900	42,800
Maryland:			
Hugo Bauer		8,000	
Goucher College	67,800	8,800	67,400
Johns Hopkins University	1,113,000	855,850	1,090,339
Maryland Department of Research and Education		34,700	
U.S. Army Ordnance Proving Ground			8,500
University of Maryland	181,450	293,000	249,429
Satyu Yamaguti		14,900	725
Subtotal	1,362,250	1,215,250	1,416,393
Massachusetts:			
American Association of Variable Star Observers	575		20,000
American Meteorological Society		40,800	
Amherst College	43,000	154,500	103,800
Boston College	16,300		
Boston Dispensary		45,700	
Boston University	120,380	119,600	687,960
Botanical Museum of Harvard University	5,100		
Bio Research Institute, Inc		18,000	
Brandeis University	430,000	300,000	996,520
Clark University	4,200	55,600	27,000
Children's Cancer Research Foundation		50,000	
L. G. Hanscomb Air Force Base	21,320	47,100	
Genetic Society of America	12,000		
Harvard University	1,137,200	2,137,100	2,588,466
Harvard University Herbarium	23,400		
Hatheway School of Conservation		37,600	
Hermes Electronics Co		17,800	
Maria Mitchell Observatory		10,800	
Marine Biological Laboratory	196,000	210,700	
Massachusetts General Hospital	21,000	20,000	70,000
Massachusetts Eye and Ear Infirmary			30,000
Massachusetts Institute of Technology	1,910,125	2,022,840	2,062,100
McLean Hospital		11,500	
Mount Holyoke College	15,900	62,750	24,700
Northeastern University			92,900
R. S. Peabody Foundation for Archaeology			21,500
Smith College	55,000		113,200
Retina Foundation		24,000	
Tufts University	273,770	151,496	84,500
U.S. Army Quartermaster Headquarters Research and Engineering Command		34,700	
University Corp. for Atmospheric Research		500,000	
University of Massachusetts	43,300	110,080	163,500
Wellesley College	10,800		8,200
Williams College	27,300	19,900	34,400
Woods Hole Oceanographic Institute	1,145,300	3,724,400	1,953,600
Worcester Foundation for Experimental Biology	105,000	110,000	124,000
Worcester Polytechnic Institute	12,700	20,800	
Subtotal	5,629,670	10,057,766	9,206,346
Michigan:			
Albion College	12,800	10,500	8,200
Association of Universities for Research in Astronomy		824,000	
Calvin College		11,500	
Edsel B. Ford Institute for Medical Research			25,000
Henry Ford Hospital			34,500
Michigan State University	650,700	265,000	311,200
Office of Civil and Defense Mobilization			10,000
University of Detroit			25,000

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Michigan—Continued			
University of Michigan	$508,550	$1,959,005	$1,532,336
Wayne State University	213,380	117,400	302,500
Subtotal	1,385,430	3,187,405	2,248,736
Minnesota:			
Augsburgh College & Theological Seminary	5,100		6,300
Carleton College	50,100	22,300	13,500
Gustavus Adolphus College			7,500
Hamline University			10,200
Macalester College			11,800
Mankato State College			5,800
Mayo Association	96,000	16,000	27,000
Minneapolis War Memorial Blood Bank	40,000		
St. Mary's College			11,500
St. Olaf College	27,600	9,800	7,200
University of Minnesota	1,166,791	1,031,433	1,334,672
Winona State College			7,100
Subtotal	1,385,591	1,079,533	1,442,572
Mississippi:			
Gulf Coast Research Laboratory		25,200	24,000
Mississippi Southern College			10,000
Mississippi State University			9,000
University of Mississippi	25,750	67,800	30,200
Subtotal	25,750	93,000	73,200
Missouri:			
Central Institute for the Deaf		15,900	
Lincoln University	8,600		9,900
Lindenwood College for Women			6,200
Midwest Weather Service			49,000
Missouri Botanical Gardens	50,500	253,600	45,400
St. Louis University	60,230	49,050	49,800
Southwest Missouri State College	7,300		
University of Kansas City		15,000	14,500
University of Missouri	294,950	939,200	246,484
Washington University	436,000	684,900	457,160
Westminster College			9,200
Subtotal	857,580	1,957,650	887,644
Montana:			
Carter County Museum		10,000	
Montana State College	73,600		54,700
Montana State University	23,700	58,625	41,300
Subtotal	97,300	68,625	96,000
Nebraska:			
Nebraska State Teachers College	11,000		14,200
Nebraska Wesleyan University	7,300		
University of Nebraska	60,000	293,200	307,340
Subtotal	78,300	293,200	321,540
Nevada: University of Nevada	36,300		52,100
New Hampshire:			
Dartmouth College	191,550	518,500	645,240
University of New Hampshire	24,300	111,200	12,000
Subtotal	215,850	629,700	657,240
New Jersey:			
Educational Testing Service			36,200
Institute for Advanced Studies	138,000	199,800	190,300
Newark State College	13,000		
Princeton University	345,250	1,105,536	1,365,840
Rutgers University	444,950	513,400	824,687
Seton Hall University	10,350	17,700	
St. Peter's College		16,600	
Stevens Institute of Technology	49,500	75,100	95,100
Training school at Vineland	14,400		2,200
Subtotal	1,015,450	1,928,136	2,514,327

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
New Mexico:			
National Park Service		$8,700	
New Mexico College	$21,600	27,400	
New Mexico Highlands University	10,400	15,600	$3,100
New Mexico Institute of Mining & Technology	248,400	56,100	230,600
New Mexico State University		8,200	44,200
University of New Mexico	91,300	12,800	237,500
Wichita Foundation			15,700
Subtotal	371,700	128,800	531,100
New York:			
Adelphi College	13,300	55,500	47,300
Albany Medical College		21,300	
Alford University		23,000	
American Geographical Society	53,693	17,780	13,900
American Committee for the Weizmann Institute of Science			238,700
American Museum of Natural History	182,100	294,671	137,630
American Machine & Foundry Co		16,800	
Arctic Institute of North America	519,742		
Associated Universities, Inc		950,000	
Boyce Thompson Institute for Plant Research	70,700		197,700
Brooklyn Botanic Garden	31,300		
Brooklyn College	33,300	19,400	33,600
City College	7,500	37,400	27,800
Canisius College		10,500	
Children's Hospital of Buffalo		7,000	
Clarkson College	12,600		
Colgate College	8,700		
College of New Rochelle	4,400		
Columbia University	1,263,187	2,036,944	2,614,693
Cornell University	1,493,000	1,109,550	1,132,600
Elmira College		21,300	
Fordham University	170,100	51,900	44,480
Hamilton College	10,600		
Haskins Laboratory, Inc		140,100	18,700
Health Research, Inc		25,000	70,000
Hofstra College			13,100
Hunter College			1,700
Institute Andean Research	40,700		32,300
Isaac Albert Research Institute	29,300		
Henry Jasik		20,000	
Le Moyne College		4,400	7,200
Long Island Biological Institute	161,000		20,500
Long Island University			10,400
Manhattan College	26,100	52,100	19,000
Mount Sinai Hospital	42,000		62,900
National Bureau of Economic Research, Inc	51,000		30,000
New York Botanical Gardens	285,200	383,000	90,000
New York State Psychiatric Institution		47,900	
New York University	473,900	482,800	1,285,800
New York State College of Agriculture at Cornell University			12,000
New York Zoological Society	57,400	17,000	43,070
Polytechnic Institute of Brooklyn	238,000	130,900	452,600
Pratt Institute	10,200		
Rensselaer Polytechnic Institute	126,000	256,600	206,900
Queen's College	35,300		
Research Foundation for Mental Hygiene		40,000	13,800
Research Foundation of State University of New York	170,235	142,180	
Rockefeller Institute	101,900	168,600	909,300
Russell Sage College			11,100
St. Bonaventure University			7,400
St. Lawrence University	13,600		12,100
Social Science Research Council			105,000
State University of New York			337,300
Syracuse University	216,300	312,600	426,900
Teachers College—Columbia University	12,100	22,990	
Union College	8,280	3,000	
University of Buffalo	485,700	206,595	200,620
University of Rochester	118,400	356,800	969,900
Utica College		7,900	
Vassar College		27,600	
Yeshiva University	101,400	94,700	260,980
Wells College			7,100
Subtotal	6,678,237	7,615,720	10,126,073

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
North Carolina:			
Agricultural & Technical College of North Carolina			$25,500
Duke University	$591,026	$565,492	1,492,082
Graverly Sanatorium		35,500	
Highlands Biological Station		24,300	91,500
North Carolina State College	196,600	195,500	
Pfeiffer College	2,000		15,600
University of North Carolina	684,460	241,200	814,950
Wake Forest College		18,000	14,200
Western Carolina College	6,000		10,700
Subtotal	1,480,086	1,079,992	2,464,532
North Dakota:			
North Dakota Agricultural College	20,000		
North Dakota State College		18,900	61,900
University of North Dakota	36,710	8,800	128,700
Subtotal	56,710	27,700	190,600
Ohio:			
Antioch College	12,700		
Bowling Green State University			12,200
Case Institute of Technology	92,800	255,200	217,300
Central State College		10,500	
Children's Hospital Foundation		1,650	
Cleveland Hearing & Speech Center		10,700	
Cleveland Museum of Natural History			2,000
College of Wooster		16,900	
Columbus Psychiatric Institute & Hospital	8,600		
Defiance College			15,300
Denison University	6,900		6,300
Fels Research Institute			8,600
Jewish Hospital & Medical Center	22,600		
Kent State University	2,400		37,700
Kenyon College		13,900	7,400
May Institute for Medical Research	21,000		
Miami University	25,700	44,400	26,100
Oberlin College	48,000	7,560	50,600
Mount Union College		2,125	
Ohio Academy of Science	23,900		
Ohio Agricultural Experiment Station			25,300
Ohio Historical Society			20,000
Ohio State University Research Foundation	600,122	479,794	809,100
Ohio University	67,300	31,400	25,400
Ohio Wesleyan University	20,400	65,100	23,000
University of Akron	56,000		
University of Cincinnati	168,610	42,000	162,400
L. C. Peltier		1,500	
University of Dayton	4,800		30,100
University of Toledo	22,800		
Western Reserve University	149,160	130,400	126,715
Subtotal	1,353,792	1,113,129	1,605,515
Oklahoma:			
Oklahoma Medical Research Foundation	31,000		
Research Foundation, Oklahoma State University	73,700	180,300	
Oklahoma State University			164,780
Southeastern State College	16,400		
University of Oklahoma	301,300	273,870	378,800
University of Tulsa	12,600		4,000
Subtotal	435,000	454,170	547,580
Oregon:			
Linfield Research Institute	121,900		10,600
Medical Research Foundation of Oregon, Inc			75,000
Oregon State University	196,800	347,550	775,750
Oregon Research Institute			25,500
Portland State College	4,900	44,500	20,000
Reed College	25,300	18,900	34,800
University of Oregon	278,260	457,200	357,300
University of Portland		21,600	
Warner Pacific College			12,000
Willamette University			14,600
Subtotal	627,160	889,750	1,325,550

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Pennsylvania:			
Academy of Natural Sciences of Philadelphia	$113,200		$107,000
Albert Einstein Medical Center		$32,000	96,400
Arthur Mayes Research Foundation			8,100
Bartol Research Foundation		12,900	89,650
Bryn Mawr College	3,000	41,300	23,000
Bucknell University	2,800		18,300
Carnegie Institute of Technology	179,000	650,700	181,500
Carnegie Museum	7,500	6,200	20,700
Children's Hospital of Philadelphia	34,000		
Dickinson College	28,300	14,200	
Drexel Institute of Technology		2,000	5,500
Duquesne University	55,700		33,200
Eastern Pennsylvania Psychiatric Institute	30,000		
Franklin and Marshall College	11,400	43,130	22,000
Franklin Institute	47,200	132,500	13,200
Hahnemann Medical College & Hospital	28,750	14,000	66,960
Haverford College	11,800	68,400	21,000
Home for the Jewish Aged		21,000	
Institute for Cancer Research	57,000	182,000	124,800
Jefferson Medical College of Philadelphia	8,280		16,000
Lafayette College	4,500		6,500
La Salle College		2,500	
Lehigh University	109,000	124,600	185,230
Lycoming College			4,600
Mellon Institute	111,200		195,000
Muhlenberg College			3,200
Pennsylvania State University	510,410	714,026	758,470
Philadelphia General Hospital Research Fund		5,400	21,000
Regional Science Research Institute			91,800
Research Institute of Temple University	66,720		
Swarthmore College	46,500	61,400	44,900
Temple University		56,600	114,500
Thiel College		13,300	
University of Pennsylvania	605,500	2,383,200	1,669,900
University of Pittsburgh	310,920	758,000	504,500
Ursinus College	2,000	2,300	
Villanova University		33,000	29,400
Wilkes College	8,500	6,400	11,800
Wilson College	18,500		
Women's Medical College of Pennsylvania	8,280	15,900	
Wistar Institute of Anatomy & Biology	80,000		76,100
Zoological Society of Philadelphia	10,300		
Subtotal	2,510,260	5,396,956	4,564,210
Rhode Island:			
American Mathematical Society	41,000	53,500	74,000
Brown University	298,200	740,700	683,500
University of Rhode Island	9,300	78,400	58,000
Subtotal	348,500	872,600	815,500
South Carolina:			
Clemson Agricultural College	11,500		
Clemson College			11,900
College of Charleston		23,500	
Furman University			12,600
Medical College of South Carolina		34,840	
University of South Carolina		47,100	66,700
Winthrop College			3,200
Wofford College			14,400
Subtotal	11,500	105,440	108,800
South Dakota:			
Raven Industries			17,000
South Dakota State College		16,000	24,300
South Dakota State Geological Survey	5,400		
State University of South Dakota		23,000	27,100
Subtotal	5,400	39,000	68,400
Tennessee:			
Southern Missionary College			30,000
Tennessee Polytechnic Institute		5,000	31,700
University of Tennessee	83,230	111,920	469,260
Vanderbilt University	185,900	333,900	152,300
Subtotal	269,130	451,420	683,260

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Texas:			
Agricultural & Mechanical College of Texas			$150,000
Baylor University		$14,700	33,400
Hugh Avery Freeman		8,600	
Lamar State College of Technology			15,540
Lubbock Christian College	$4,600		5,200
The Methodist Hospital		16,500	
Pan American College	9,100		11,000
Rice Institute	159,100	45,100	
Southern Methodist University	18,400	41,200	28,200
Stephen F. Austin State College		9,000	
Texas Agricultural Experimental Station			17,700
Texas Agricultural & Mechanical College	365,000		
Texas Agricultural & Mechanical Research Foundation	135,500	268,710	272,305
Texas Christian University		3,900	20,200
Texas College of Arts and Industries	15,900		
Texas Lutheran College	6,600		
Texas Research Foundation			21,500
Texas Technological College	7,800	35,000	23,200
University of Houston	43,400	80,900	133,400
University of Saint Thomas	5,800	12,500	4,400
University of Texas	411,620	921,111	1,410,030
William Marsh Rice University			217,590
Subtotal	1,182,820	1,457,221	2,363,665
Utah:			
Brigham Young University	163,400	169,300	64,500
U.S. Department of Agriculture Forest Service		63,900	58,000
University of Utah	164,800	404,500	291,160
Utah State University	32,700	68,600	75,300
Subtotal	360,900	706,300	488,960
Vermont:			
Middlebury College			14,500
University of Vermont	124,180	81,600	117,800
Subtotal	124,180	81,600	132,300
Virginia:			
College of William & Mary	53,000	29,330	40,000
Hollins College		20,000	
Longwood College	38,600		
Medical College of Virginia	24,000	18,400	22,500
Norfolk College of William & Mary			11,300
University of Virginia	100,320	278,100	66,080
Virginia Fisheries Laboratory		40,204	9,775
Virginia Institute for Scientific Research		51,000	
Virginia Polytechnic Institute		105,900	89,075
Washington & Lee University			9,400
Subtotal	215,920	542,934	248,130
Washington:			
College of Puget Sound		37,600	
Pacific Lutheran College	6,900		
Seattle Pacific College Institute for Research		25,700	
State College of Washington	144,100	114,100	
University of Washington	450,840	1,574,300	1,748,700
Walla Walla College	8,000		
Washington State University		189,200	265,050
Whitman College	4,800	20,600	
Whitworth College			18,600
Subtotal	614,640	1,961,500	2,032,350
West Virginia:			
Davis and Elkins College		13,400	
West Virginia University	41,500	64,240	85,500
Subtotal	41,500	77,640	85,500
Wisconsin:			
Lawrence College	13,400		55,820
Marquette University	78,940	87,800	200,840
Milwaukee Public Museum			12,900
Mount Desert Island Biological Laboratory		30,350	
Ripon College		5,500	
University of Wisconsin	3,274,656	2,577,955	2,537,311
Wisconsin State College	5,200		
Subtotal	3,372,196	2,701,605	2,806,871

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Wyoming:			
Casper College	$3,000		
University of Wyoming	65,900	$15,900	
Subtotal	68,900	15,900	
District of Columbia:			
American Institute of Biological Sciences			$12,000
American Physiological Society	74,500		
American Type Culture Collection			810,830
American University	9,600	12,800	180,400
Artic Institute of North America		754,326	210,686
Carnegie Institute of Washington	9,569	171,000	40,000
Catholic University of America	43,100	201,700	147,500
Dunbarton College of the Holy Cross			13,500
Gallaudet College		22,000	
Georgetown University	79,540	63,900	281,000
George Washington University	54,375	186,380	182,100
Gorgas Memorial Institute of Tropical & Preventive Medicine			7,100
Howard University	33,000	64,200	51,840
National Academy of Sciences, National Research Council	55,840	683,353	626,495
National Planning Association			42,700
Research Foundation of Children's Hospital	14,000		
Science Communication, Inc			29,440
U.S. Department of Agriculture		41,400	
U.S. Department of Commerce:			
Coast and Geodetic Survey	128,000	275,334	134,480
National Bureau of Standards	372,763	371,034	267,216
Weather Bureau	1,534,941	672,472	1,108,694
U.S. Department of Interior	408,000	12,900	787,466
U.S. Department of Navy	300,000	476,800	489,476
U.S. Smithsonian Institution	128,900	187,000	229,900
Weitler, Ruth G		5,300	
Subtotal	3,246,128	4,201,899	5,652,823
Guam: College of Guam			6,700
Puerto Rico: University of Puerto Rico	18,050	3,500	31,801
Argentina: University of Buenos Aires		8,100	14,400
Belgium:			
Charles Darwin Foundation for the Galapagos Islands			6,500
University of Brussels			15,000
Subtotal			21,500
Bermuda: Bermuda Biological Station	10,750	122,800	43,200
Canada:			
McGill University	35,700		90,500
Queens University	10,100		
University of British Columbia	11,200	32,800	28,300
University of Montreal		31,600	
University of Saskatchewan		10,100	12,200
University of Toronto		29,400	115,000
University of Western Ontario			35,200
Weather Engineering Corp			14,100
Subtotal	57,000	103,900	295,300
Chile: University of Chile		50,000	
England:			
International Seismological Summary			50,000
Kings College		6,700	
London School of Economics & Political Sciences		22,300	
St. Mary's Hospital Medical School		100,000	
University of Birmingham		12,000	
University of Oxford			16,100
University of Southampton			5,900
Subtotal		141,000	72,000
France:			
Centre National de la Recherche Scientifique			40,900
Institute de Biologie Physico-Chemique		19,000	
Institut Pasteur	40,250	5,000	62,200
Subtotal	40,250	24,000	103,100
Germany: Johann-Wolfgang-Goethe-University		28,000	

Grants and contracts in basic research and facilities for support of science—Continued

State, institution, individual, or organization	Fiscal year 1959	Fiscal year 1960	Fiscal year 1961
Israel:			
Bernhard, Sidney A	$4,000		
Weizmann Institute of Science		$26,000	$25,200
Subtotal	4,000	26,000	25,200
Italy:			
Naples Zoological Station		60,000	
Instituto Neurologico			16,050
University of Palermo			26,300
Subtotal		60,000	42,350
Japan: Kyoto University		1,300	
Lebanon: American University of Beirut		18,400	12,400
Netherlands:			
International Association of Plant Taxonomy			6,000
University of Groningen		7,400	
Subtotal		7,400	6,000
New Zealand: Victoria University of Wellington			6,089
Southern Rhodesia and Nyasaland: University College of Rhodesia and Nyasaland		22,900	
Turkey: Robert College	5,200		
Virgin Islands: Communication Research Institute		107,000	
Grand total	55,472,189	75,333,110	86,980,703

ACCURACY OF PREDICTIONS

Mr. WATERMAN. We found that our predictions have been very accurate in the past, because the curve seems to follow quite accurately what we have done. And based on that we make our estimates for the next year.

Senator ELLENDER. Now, in the construction field, that is, facilities——

Senator MAGNUSON. What page is that on?

Senator ELLENDER. Page 18.

CONSTRUCTION OF FACILITIES

I notice that you are asking $61,500,000, or $15,700,000 more than last year.

Mr. WATERMAN. Basic research facilities.

Senator ELLENDER. Are those facilities that are being constructed by you to carry on some of this basic research?

Mr. WATERMAN. The details of this are on page 60, Senator Ellender. It is divided into a number of components. One is special facilities for biology, or for university computing facilities, which is a national program to provide up-to-date computing equipment to them.

Another is for nuclear research facilities where we have an agreement with the Atomic Energy Commission.

Oceanographic research vessels facilities, and facilities for research——

Senator ELLENDER. All of that is done by these colleges?

Mr. WATERMAN. Yes.

Senator ELLENDER. And the money is being furnished to them in order to construct laboratories——

Mr. WATERMAN. In response to their applications again.

Senator ELLENDER. And buildings necessary in order to carry on this research?

Mr. WATERMAN. Yes.

CONDITIONS CONNECTED WITH GRANTS

Senator ELLENDER. Now, under what conditions are these grants being made for these facilities?

Mr. WATERMAN. Generally speaking—and this is a matter of cost participation—there is one item in here, in fact the largest one, frankly, is for the construction of either new buildings for graduate research or the renovation of older buildings or the building of wings and making general equipment available.

This is on a matching basis. That is the largest item here.

Senator ELLENDER. That is the next question I was going to ask. How do you determine how much you should put up in contrast to what the college does?

Mr. WATERMAN. Fifty-fifty in that particular item.

Senator ELLENDER. But what generally is your rule? Do you fix that?

Mr. WATERMAN. They provide the request, the application, and they state what the cost of the building is, or what it is that they want to do with an existing building. We review that just like any other proposals.

We make site visits to the institution, and we get the opinion of the scientists in the field. And then we agree on what we think the total amount should be, and expect that the university will be ready to—will have to assure us that they can raise half the money, and we will provide the other half.

They have to make that assurance.

Senator ELLENDER. Are all the projects on that basis, that is, the contributions are 50–50?

Mr. WATERMAN. That is true for these graduate laboratories; yes. This would not be true for the oceanographic facilities or the computing facilities where this is on a cost participation basis.

Senator ELLENDER. And your contribution there might be more?

Mr. WATERMAN. It might be, or it might be less. Sometimes the university can raise all but a quarter, or 10 percent, and they have to get the rest.

Senator ELLENDER. And of course the Government benefits by virtue of the fact that it provides facilities to educate people we might need to carry on science and various other things?

Mr. WATERMAN. Yes.

Mr. PAGE. The Foundation will provide up to 50 percent, and in many instances we provide less.

NATIONAL RESEARCH CENTERS

Senator ELLENDER. What comes under national research centers?

Mr. WATERMAN. National research centers are listed on a different page.

Senator ELLENDER. What is it?

Mr. WATERMAN. National research centers—these are centers for particular research like the radio astronomy observatory in West

Virginia, Greenbank, the Kitt Peak observatory in Arizona, and the Center for Atmospheric Sciences at Boulder, Colo.

There are national centers which undertake programs which are participated in by the leading scientists from all over the country, from government, universities, and so forth.

Senator ELLENDER. Who operates them?

Mr. WATERMAN. We provide the funds, and then they are under the direction of the corporation with whom we make the contract, and they operate them themselves, the director of the laboratory operates his own program; we do not.

Mr. BRONK. A corporation, Senator Ellender, that is set up specifically for that purpose, for instance, the Atmospheric Science Center.

Senator ELLENDER. Is it a Government institution?

Mr. WATERMAN. No.

Senator ELLENDER. Is it a privately owned institution?

Mr. WATERMAN. The corporation established itself. In the case of the one for atmospheric sciences, for instance, there were 14 universities interested in this, and they formed a corporation, and we make the grant to them for the operation of the center at Boulder, Colo., for research in the atmospheric sciences.

Senator ELLENDER. Is that a grant on a 50–50 basis?

Mr. WATERMAN. This is a contract to provide the total cost.

Mr. ROSENTHAL. I might add, in those cases, Senator Ellender, those facilities are owned by the Government, and title is retained by the Government, the land, the facilities, the buildings, the equipment.

Senator ELLENDER. Who promotes these?

Mr. ROSENTHAL. Those are promoted by the scientific community through the universities.

Senator MAGNUSON. Nonprofit corporation.

Senator ELLENDER. I understand. And you say they are operated from collections made by the corporations from its shareholders, or how?

Mr. ROSENTHAL. They are operated by these university corporations under contract with the National Science Foundation.

Senator ELLENDER. But you furnish the money?

Mr. ROSENTHAL. We furnish the money; yes, sir.

Senator ELLENDER. In other words, you furnish the money to build it, and you furnish the money to operate it?

Mr. ROSENTHAL. That is correct.

Senator ELLENDER. Who directs what shall be done there?

Mr. WATERMAN. Primarily the director of the center itself, the director is the man in charge, and the operation is directly under his control, just as it would be to the head of any research laboratory.

Mr. ROSENTHAL. Shall I add that the scientific projects to be conducted in each of these centers are reviewed by the scientific staff of the Foundation, and the staff at the observatory or the Center for Atmospheric Research.

DISSEMINATION OF SCIENTIFIC INFORMATION

Senator ELLENDER. I notice here, the dissemination of scientific information, $12,300,000, and a decrease of $3,600,000 plus.

How is that distributed? Who has charge of that? Do you?

Mr. WATERMAN. We do, yes. We have an Office of Science Information Service which performs this function. And it exercises leadership in the Federal Government for science information problems.

Senator ELLENDER. Where do you get your information to disseminate?

Mr. WATERMAN. This comes from the scientists themselves and the scientific societies and their publications and research reports, it comes from industry, reports from industry, and from government also.

Senator ELLENDER. Who makes the selection as to what should be printed?

Mr. WATERMAN. In the case of the Government the Government would make its own selection, industry would make its own selection.

Senator ELLENDER. All you do is contribute to it?

Mr. WATERMAN. We try to see to it that this information is available to those who need it, that is our chief problem.

TRANSLATION OF SCIENTIFIC PAPERS

Senator ELLENDER. And do you have anything to do in translating scientific papers?

Mr. WATERMAN. Yes, indeed. One of our major programs is translating science articles from the Russian, in fact from other languages, too, where they were not particularly well known, such as Japanese—and even Chinese, Polish, and so on.

This is important, because there are few of our scholars who can read the language. So we attempt to have the major journals translated in full, and then special articles in the minor journals when they seem to be important.

Senator ELLENDER. As I recall, such work as that has been done also by the Defense Department.

Mr. WATERMAN. Oh, yes. All this is a cooperative thing.

COORDINATION WITH DEFENSE DEPARTMENT

Senator ELLENDER. What kind of coordination is there between you and the Defense Department in the translation of these and dissemination of these?

Mr. WATERMAN. We are in very close touch with them, our Office is in touch with all the scientific information people in the other agencies. We have an agreement, for example, whereby the Department of Commerce takes responsibility for distribution of reports from the Government.

Senator ELLENDER. Do you see any necessity for having both you and the Defense Department do that? Why not, since it is all being financed by Uncle Sam, why not let you or the others do it?

Mr. WATERMAN. It is much too large a problem, in our opinion and that of our Advisory Committee—which is statutory by the way, on science information—to handle in any one spot.

Each agency has its own knowledge of its own reports, its own methods of distribution, and if we could get both Government and industry and the scientific societies to collaborate so that these things are compatible, these methods of distribution are compatible, this is the way we would do it in this country and do it well, because each

agency would know best about its own material and could contribute in a cooperative way to the work of the others.

That is our firm belief.

SUPPORT OF SCIENTIFIC MANPOWER

Senator ELLENDER. Now, under the support of scientific manpower, $111,550,000, are we to understand that all of that money is distributed by you to institutions?

Mr. WATERMAN. Largely to institutions. The following programs go to individuals, of course.

Senator ELLENDER. When you say "distributed to institutes," you have a sum of $42,800,000. Now, what does that represent—for what purpose will that money be used if it is given to you, $42,800,000? Is it to pay teachers or what?

INSTITUTES FOR TRAINING SCIENCE TEACHERS

Mr. WATERMAN. The largest portion of this goes for what we call institutes for the training or retraining of high school techers of science and mathematics. And the typical situation is one where a college or university applies for a grant to hold an institute, either for the entire year or for the summer.

Most of them are for the summer. This means that they then invite 40 or 50, say, science teachers in a field such as biology to come there during the summer and to spend 6 or 8 weeks studying the principles of biology—the subject matter of biology and how it should be taught.

They get together with very competent instructors and discuss frankly how to improve the teaching of biology. There must be 20,000 high school teachers now every summer that enter into these institutes all over the country.

Senator MAGNUSON. This is the item that the House is insistent that you keep intact?

Mr. WATERMAN. Yes; we would like to extend this to college teachers——

Senator ELLENDER. Before we go to college teachers, this money is being used to hold, shall we say, seminars?

Mr. WATERMAN. You could call them that. They are really workshops or institutes where they can get together to study their subjects and discuss their problems.

Senator ELLENDER. And it is used to pay for the expenses to bring the teachers there?

Mr. WATERMAN. Yes.

Senator ELLENDER. Their board and lodging?

Mr. WATERMAN. And the expenses of the projects.

Senator ELLENDER. How are they selected?

Mr. WATERMAN. They are selected by the institute to whom we make the grant, and not by us.

Senator ELLENDER. Now, these institutes may be at almost any college that is suitable for the purpose of holding them?

Mr. WATERMAN. Yes; a great variety of them——

Senator ELLENDER. And it is done on a selective basis?

Mr. WATERMAN. Yes, sir.

Senator ELLENDER. And they have got to make application——
Mr. WATERMAN. And we are very much oversubscribed.
Dr. Dees can tell you to what extent they oversubscribed.

TOTAL PROPOSALS

Dr. DEES. My figures show, for example, that in fiscal 1962 we had 1,532 proposals in the overall institute program, and we made 897 grants. That is to say we supported just over half of the total that we received.

Senator ELLENDER. I can see that it is a very popular program.

Mr. WATERMAN. This is also listed under tab A, Senator Ellender. The right half of those pages are grants for support of scientific manpower, and in the first column under that are the teacher institutes. You can see, by States, the number and the amounts which are covered.

Senator ALLOTT. It ought to be popular, Mr. Chairman; it is the only place I know outside of the National Defense Education Act where a man can go to school and take his training and have the Government pay the entire expenses. So it is popular.

Mr. WATERMAN. It is also very badly needed, too, because what this program has uncovered is a very difficult situation—take the field of physics, for example. The number of applicants—the number of those who are qualified to teach physics in secondary schools do not all go into teaching physics.

The demand for teachers of physics is such that only about one-half, I think the figure is, actually go into the teaching of physics. This means that that profession of secondary school physic teachers has got to get that same number, which might be 1,500 or so, who are not fully qualified. So that throughout our secondary school teaching in science we find that, through no fault of the system, largely, there are people who simply do not know the subject well enough, and they have been unable to learn it well enough during the summer.

In addition, one of our most impressive programs is improving the content of elementary science courses.

Senator ELLENDER. Something that they should have learned in the school from which they graduated?

Mr. WATERMAN. Yes, but the textbooks and teachers are not good. So these new courses have been used in these institutes to give the teachers modern training, and that can be carried over to the school.

Senator ELLENDER. Have you ever tried to carry on this program and have the teachers at least pay their board and maybe their lodging and not let Uncle Sam carry the whole load?

Mr. WATERMAN. The difference there, I think, is well known, and that is that high school teachers are very ill paid and they must take appointments in summer in general to earn a salary. They would never feel themselves able to go to these institutes if they were not reimbursed for their expenses. Most of them, the statistics show, simply have to get jobs in the summer to add to their pay during the year.

Senator ELLENDER. And of course they will keep on doing that as long as they can get it for free. And that is what makes it very popular.

Senator MAGNUSON. I think the record ought to show that they are a highly selective group, and the institute that finally selects the people—you are selecting people that really show promise and are highly qualified, and normally will go back into the high schools and teach.

Mr. BRONK. And they often do not have a repetitive appointment. They go for one summer, and that is it.

Senator MAGNUSON. You get a spread.

Senator ELLENDER. If this keeps on in all the departments—and as you admit, a good deal of it is due to a lack of proper teaching—it strikes me that it might be better for us to devote a little time and effort to see that the schools are improved.

Mr. WATERMAN. That, we hope, will be accomplished. We certainly don't think that we should keep this going beyond the point where it is needed. But there is just no question that it is terribly needed right now. If we are to go ahead and produce scientists and engineers we just must do a better job of education.

Mr. BRONK. What Senator Ellender says is very pertinent, and that is provided for under this item "Course content and improvement."

We have been very active in doing just what Senator Ellender here pointed out the need for, to improve the basic instruction of teachers and give them a better grasp of what they are supposed to teach.

IMPROVEMENT OF SCHOOL SYSTEM

Senator ELLENDER. To be frank, it strikes me that our whole school system should be revised to some extent. And it is my belief that there is too much vacation time for the teachers as well as the children who attend elementary schools.

We have extended the curriculum now to 12 years to get a high school diploma. We could have left that at 10 years and increased the number of months that the children would be in school. And you would be able to do away with a lot of facilities necessary now.

Of course, as you extend it for 12 years instead of 10, you have got to build that many more facilities.

When I returned from Russia on my first trip, I got all sorts of criticism because I said that the school system of Russia was in a measure better than ours in the elementary department.

And why did I say that? It is because the Russians accepted the best of the American, English, and French, and kept that up.

And where we have the elective system of letting the student, a 10-year-old girl or boy, select the subjects that he or she ought to study, in Russia it is a must to study mathematics and a must to study mathematics in their elementary education. And it strikes me very forcefully that it is a mistake to extend the school year to as many as 12 months when it might be cut down to 10 or 11 months. It is more costly, and more buildings must be built.

And I wish we could find some way by which we could use all of our school buildings the year round.

But we are off the subject. I don't want to get into that.

Senator MAGNUSON. I was going to say, following out his line, I don't know about the secondary schools, but I don't know of a university or college now that isn't using their facilities 12 months out of the year. They used to be dead in summer—not dead, but very inactive—but they are going 12 months a year now, I know out in our country they are.

Senator ELLENDER. You have got summer schools?

Senator MAGNUSON. Yes. And they are crowded.

Mr. WATERMAN. An interesting observation along the line you are speaking of came up in connection with our attempts to improve the concepts being taught in mathematics and science. In connection with this process we had to try out new concepts with students. And it turns out that in both mathematics and science, that the aptitude of young children for science and mathematics is much higher than people thought—they can take advanced notions and ideas, abstract ideas much more quickly than had ever been supposed. If this is true, we should be able to progress much faster in these subjects than we have before.

Senator ELLENDER. This course content improvement——

Senator MAGNUSON. Could I just add one question here now? The aptitude is good, but when I went to secondary school there wasn't just a teacher to teach physics or mathematics.

Mr. WATERMAN. That is a problem.

Senator MAGNUSON. So therefore I got none of it.

Senator ELLENDER. There is only one more question I would like to ask. Senator Allott is waiting, I know, to ask a few questions, and I don't want to take all the time.

COURSE CONTENT IMPROVEMENT

Under course content improvement I notice that last year you allowed $9,000,600, and this year you have asked for $17 million. Will you tell us what this is for?

Mr. WATERMAN. Is that page 277 of the budget book?

Senator ELLENDER. Yes.

Mr. BRONK. May I interrupt and say that this is very pertinent, because it is directed to that very thing that you were so wisely expressing, Senator Ellender, how to improve the content, the text books, the apparatus that is used.

Senator ELLENDER. That is what I want to find out—how you spend that money and what results are you getting out of it, how is it distributed?

Senator MAGNUSON. Page 277.

Mr. WATERMAN. The general purpose here in making this large increase was to extend the course content improvement effort and improve the program in colleges where it is badly needed. And if this reduction would take place, we feel we would be unable to move in that direction very profitably.

Dr. Dees, would you speak on that?

Dr. DEES. On your question, Senator Ellender, as to how these funds are in fact used, the basic point is that over the last, one can say, four or five decades, it has been true that most of the textbooks and most of the other instructional material that have been developed for use in the preuniversity system of this country, have been developed largely by people who are not, as far as science and mathematics are concerned, outstanding in the field in which they were writing; they were by and large people who specialized in so-called curriculum building.

The contribution which this program has made—which has been, I can say, highly successful—has been to draw outstanding scientists

into the business of looking at the subject matter of their field thoroughly and over a considerable period of time, and trying to see how the newer ideas—how the spirit of physics, for example, in today's world—can be reflected in such a way that young people at the high school level can get something other than the same material that was being taught in 1920, or 1930, because the science itself has moved ahead tremendously.

Yet the materials that were being used to all intents and purposes archaic. In mathematics, for example, where a great deal of work has been done that was badly needed, the mathematicians have said that mathematics was at least 50 years out of date as of today at the secondary school level, and some were willing to say that in certain ways it was 2,000 years out of date, because they were still teaching Euclid in the same way it was taught 'way back when.

But the important thing here is that these materials are not only created by the outstanding people in the field, they also try to make sure that they are, in fact, "teachable" at the levels for which they were designed.

This element of the problem, the problem of trying it out in enough schools with enough youngsters so that one can be sure that this material is in fact not only sound scientifically, and reflective of the latest thinking in the field, but also, as Dr. Waterman has just pointed out, capable of being grasped by the students, is a very expensive operation.

You must have a number of schools, 60 to 80 to 100, depending upon the degree to which you are trying to get confirmation of the findings. You must then, in general, because no one can do this sort of thing perfectly the first time, revise the materials so as to reflect the actual experience of teachers who are teaching at the proper level.

And in general this revision process takes at least a matter of a year, or sometimes 2 years.

Senator ELLENDER. Do you go into a school where they are teaching this by archaic method and try to show them the new effect; is that the idea?

PREPARATION OF SAMPLE MATERIALS

Dr. DEES. The idea at present, as it has been working in a group of projects that we have thus far supported, is that a major group—let's take, for example, the group in mathematics known as the school mathematics study group, which is headed by a group of about 30 of the country's outstanding mathematicians and mathematics teachers—supervises the business of preparing some sample materials.

Then this same group seeks out teachers in a group of schools, and they in turn—the teachers—check with their principals and superintendents as to whether they will be permitted to try this material in those places.

And when it in fact has been tested adequately so that the group is sure that this is a workable set of materials, then the material is made available through channels which are quite in keeping with the free enterprise system, so that any school that wants the materials can go ahead and buy them.

No one is urged to do so. But any school that has forward leadership in general will want to at least try these materials.

WEST POINT CURRICULUM

Senator ELLENDER. Dr. Waterman, were you called by West Point in order to maybe change the curriculum?

Mr. WATERMAN. I haven't been called.

Senator ELLENDER. I was told as to the teaching methods that they taught the same system as they taught 80 years ago. I am on the Board of Visitors. I haven't as yet visited it, but I hope to go there soon if I can. And I am very anxious to look into that phase of it.

There is only one more question, and I will turn it over to Senator Allott. This $23 million that you are distributing for fellowships, I assume, is on a competitive basis.

Mr. WATERMAN. Yes, the basis of ability.

Senator ELLENDER. And from all colleges throughout the country?

Mr. WATERMAN. Yes.

FELLOWSHIPS

Senator ELLENDER. And what does the fellowship consist of money-wise?

Mr. WATERMAN. It consists of a stipend for the fellow——

Senator ELLENDER. For all of his expenses, or a part?

Mr. WATERMAN. Yes, it is like a salary, but it isn't for doing a particular job, it is for the benefit of his own instruction.

Senator ELLENDER. Is that done mostly for graduate work?

Mr. WATERMAN. Yes. We have a number of programs.

Senator ELLENDER. And this stipend is a sufficient amount so as to pay for his tuition, traveling expenses, in fact all of his expenses?

Mr. WATERMAN. No. This is an amount which is intended for him to live on. The tuition charges in this particular program would be paid by us.

Senator ELLENDER. In addition to that?

Mr. WATERMAN. In addition, yes. Dr. Dees has it again. This is in his program, scientific personnel and education.

AVERAGE STIPEND

Senator MAGNUSON. What would be the average amount that he would get per year?

Dr. DEES. The average would be right around $2,000. There are two major programs involving at the moment about 2,900 students at the graduate level. We have none at the undergraduate level.

Senator MAGNUSON. In other words, he pays tuition and pays the certain things that are necessary for him to be there, and then you give him about $2,000 average to live on?

Dr. DEES. That is right. And this is countrywide, so that there are of course cases where this is not really adequate. There are other cases, perhaps where it isn't quite so bad. But the stipends are set on a national basis.

POSTDOCTORATE FELLOWSHIPS

Mr. WATERMAN. We also have postdoctorate fellowships.

Senator ELLENDER. A person ought to be able to do very well on $2,000.

Dr. DEES. In some place, in others it is not easy.

Mr. BRONK. In New York City, where the Rockefeller Institute is located, we can't have our graduate students supported on this program because they can't live in New York unless they have a wife to support them.

Senator ELLENDER. Send them somewhere else where it is cheaper and they can get the same education.

I have some more questions, but I am going to defer to Senator Magnuson.

Senator MAGNUSON. We have a live quorum. Why don't you go up and answer it, and then I will go on.

OCEANOGRAPHIC FIELD

In the oceanographic field—what page is that on here?

Mr. WATERMAN. It would be under the national research programs, and that is where it is separate from research grants.

Senator MAGNUSON. What page?

Mr. WATERMAN. Eighty-three.

VESSELS AND FACILITIES

Here it is. You have $11.4 million for vessels and facilities?

Mr. WATERMAN. $7 million.

Senator MAGNUSON. I see, $7 million. Is that for one ship? Or is that for any ship?

Mr. WATERMAN. We don't know yet what this will come to. We have in mind that it would be desirable to build certain specialized type vessels.

Senator MAGNUSON. But it envisions the building of some type of vessels in this field. What I want to get at is, what is for shore facilities and what is for vessels.

Mr. ROBERTSON. That item covers both shore facilities and ships. And at the moment we have not allocated funds strictly between the two.

We have a number of very excellent proposals in the area of shore facilities. And we hope to support some of those. We also have two or three proposals for small oceanographic ships.

Senator MAGNUSON. That would be attached to either an institute or a school?

Mr. ROBERTSON. Yes. And I think that we will be able to support both some of the shore facilities and some ships. We have no proposals in mind for the very large oceanographic ships that would take most of this money.

Senator MAGNUSON. Now, is the one that we had in last year, is that completed?

WOODS HOLE SHIP

Mr. ROBERTSON. The *Atlantis* too, the Woods Hole ship, will be launched next month.

Senator MAGNUSON. Next month?

Mr. ROBERTSON. Yes. And that is the only one of the larger ships that we have.

Senator MAGNUSON. And that will be attached to Woods Hole?

Mr. ROBERTSON. That will be attached to Woods Hole.

SHIPS ON PACIFIC

Senator MAGNUSON. What do you have on the Pacific?

Mr. ROBERTSON. Dr. Carlson could answer that, because they are in the biological field.

Mr. CARLSON. One at Scripps, Senator Magnuson, and one at Stanford for biological purposes, and for physical sciences, one at Oregon State University.

Senator MAGNUSON. They have one that is out?

Mr. CARLSON. Yes. And they also want a larger vessel about 120 tons.

Senator MAGNUSON. Does the University of Washington have any attached to it?

Mr. CARLSON. They have one large one, I don't recall the name of the vessel.

Senator MAGNUSON. Did you furnish any of the funds for *Flip*?

Mr. CARLSON. Dr. Benson can answer that.

Senator MAGNUSON. Doctor, did we furnish any of the funds for the *Flip*?

Mr. BENSON. I didn't hear the question.

Senator MAGNUSON. Did the foundation furnish any funds for the new one that we call *Flip*, you know, the one that turns upside down?

Mr. BENSON. No, not so far as I know.

Senator MAGNUSON. Scripps is going to use it, maybe it is Scripps fund altogether.

The Navy supported that, I guess.

Mr. BENSON. The Navy has supported that. And I think that it is largely Navy supported. There may be some Scripps funds in that, but I don't know of any.

MOHOLE PROJECT

Senator MAGNUSON. Senator Allott has a series of questions he wants to ask about the Mohole project.

SUPPORT FOR SCIENCE WRITERS

Senator ALLOTT. I have been informed that the National Science Foundation supports a project for sending various newspaper and magazine writers on an all-expense paid trip to various seminars.

Mr. WATERMAN. We have supported conferences for science writers in the past because there seem to be a great need to develop reporters and newsmen who can write intelligently about basic research. It is not an easy thing to do. The Association of Science Writers is usually involved in this.

Senator ALLOTT. How many of these have you held in the past year?

Dr. DEES. In 1962, as I recall, Senator Allott, we supported about three Public Understanding of Science Conferences in this particular domain for science writers. However, I would like to point out that the arrangements made vary from case to case.

There are cases where some of the expenses are defrayed, but there are other cases where little or none of the expenses of the participants are paid, the major contribution of the Foundation being to make possible presentations by outstanding scientists to these people.

Senator ALLOTT. Where were these held?

Dr. DEES. I do not have that with me. We can certainly provide it for the record.

Senator ALLOTT. Will you supply it for the record?

And will you also supply the amount for which each of these was subsidized, particularly with respect to expenses, and the defraying of expenses, and how much was involved in entertainment in each instance.

Dr. DEES. Entertainment is not an allowable budget item, I might say.

Senator ALLOTT. Then you can state so.

And I would also like to have a specific and concise statement as to how the selection was made of these scientific or pseudoscientific writers who attended these conferences.

Mr. WATERMAN. Generally speaking, this is done by the organization which sponsors the meeting rather than by us—we don't select the people. Just as in the case of the science teachers, this is done by the college or university that conducts it.

Senator ALLOTT. It would be well, then, to say in each instance how the school or university which conducted the seminar selected the people that were in attendance.

Mr. WATERMAN. Yes, sir.

(The information referred to follows:)

NATIONAL SCIENCE FOUNDATION GRANTS IN SUPPORT OF CONFERENCES FOR SCIENCE WRITERS, FISCAL YEAR 1962

No stipends paid to science writers; Foundation pays cost of travel, room and board in some instances, and printing costs connected with the program. No Federal funds are used for entertainment.

Selection of newswriters attending these conferences is not made by the Foundation but by the recipient of the grant; for example, the American Institute of Physics, and another, New York University, and is based on already demonstrated high degree of journalistic competence on their newspaper or magazine as well as an interest in science reporting.

Grantee: American Institute of Physics.
Title: Seminar for Science Writers.
Date granted: August 8, 1961.
Total granted: $15,530.
Location and date: Hilton Hotel, Chicago, Ill., November 6, 1961; Hotel New Yorker, New York, N.Y., May 22, 1962.
Operating costs: $6,900; preparation of glossaries, $6,600.
Cost for science writers not supported by NSF.

Grantee: Board of Regents of Wisconsin State College.
Title: Science Seminar for Newspaper Editors and Reporters.
Date granted: May 1, 1962.
Total granted: $3,990.
Location and date: Pigeon Lake Camp, Wisconsin; proposed August 29 to September 1, 1962.
Operating costs: $1,980.
Participant support (travel and subsistence): $1,760.

Grantee: American Institute of Physics.
Title: Seminar for Science Writers at Century 21 Exposition.
Date granted: January 26, 1962.
Total granted: $34,140.
Location and date: Seattle, Wash., August 13 to 17, 1962 (planned in conjunction with the American Institute of Biological Sciences and American Chemical Society).
Operating costs: $10,450; preparation of four glossaries, $8,800.
Participant support (travel and subsistence): $12,000.
Participants invited by American Institute of Physics, American Institute of Biological Sciences, and American Chemical Society.

Grantee: New York University.
Title: Program to train Science News Reporters.
Date granted: January 25, 1962.
Total granted: $14,740.
Location and date: University Heights Campus, New York City, May 27 to June 9, 1962.
Operating costs: $7,315.
Participant suport (travel and subsistence): $6,325.

Grantee: Tulane University.
Title: Science News Seminar.
Date granted: September 11, 1961.
Total granted: $7,237.
Location and date: New Orleans, La., February 5 to 7, 1962.
Operating costs: $2,806.
Participant support (travel and subsistence): $4,431.

Grantee: Council for Advancement of Science Writers, Inc.
Title: A Science Seminar for Magazine Writers.
Date granted: January 25, 1962.
Total granted: $5,605.
Location and date: Proposed, Princeton, N.J.; proposed September 1962.
Operating costs: $4,300.
Participant support (travel and subsistence): $660.

STATEMENT BY SENATOR ALLOTT

Senator ALLOTT. Now, I want to preface my questions with one very brief statement. I probably more than any member of the Appropriations Committee with whom I have conversations have supported basic research. Many others have voted for it, but my interest in it has been abiding and continuous.

Dr. Bronk, you will remember when you appeared before the Labor Committee in 1955, of which committee I was then a member, that I had great interest in it then.

Certain things which occurred in the past year have concerned me greatly, not only as to the specific Project Mohole, but also as to whether or not the National Science Foundation was actually able to perform its functions in certain areas.

MOHOLE PROJECT

On July 10, 1961, Dr. Waterman, you sent out a letter to various people in the United States announcing the Mohole project.

Mr. WATERMAN. I haven't the date here.

Senator ALLOTT. I will check that—in which you announced the briefing session in Washington on July 27, 1961.

Mr. WATERMAN. Yes, sir.

Senator ALLOTT. And you have been handed a copy of that letter. Is that a copy of it?

Mr. WATERMAN. I haven't the original with me, Mr. Scherer has been responsible for the details of this.

Senator ALLOTT. If you deny that it is not a true copy you can deny it in the record subsequently. It will be included in the record.

Mr. WATERMAN. I just don't have the original with me.

(The copy of the letter referred to follows:)

NATIONAL SCIENCE FOUNDATION,
Washington, D.C.

DEAR SIRS: The National Science Foundation is seeking a prime contractor for the Mohole project. In order to inform all companies who may wish to be considered, we will hold a briefing session in Washington on July 27.

As your company has evidenced interest in this project in the past, we are sending you herewith an advance announcement of that briefing session.

Very truly yours,

ALAN T. WATERMAN, *Director.*

ANNOUNCEMENT OF BRIEFING SESSION

Senator ALLOTT. At a subsequent time you sent out what was termed an "Advance Announcement of Briefing Session for Prospective Prime Contractors on the Mohole Project." I hand you a copy of that. Do you recognize it?

Mr. WATERMAN. This appears to be a copy of the letter we sent; yes.

Senator ALLOTT. If it is not a true copy you may also deny that. And a copy of this will be included in the record.

The copy referred to follows:)

NATIONAL SCIENCE FOUNDATION, WASHINGTON, D.C.

ADVANCE ANNOUNCEMENT OF BRIEFING SESSION FOR PROSPECTIVE PRIME CONTRACTORS ON THE MOHOLE PROJECT

The National Science Foundation of the U.S. Government will hold a briefing session for representatives of those companies who may wish to become the prime contractor on the Mohole project.

The briefing session will take place at the National Science Foundation Auditorium, 1951 Constitution Avenue, Washington 25, D.C., at 9 a.m. eastern daylight savings time on July 27, 1961.

The purpose of this session will be to inform representatives of interested organizations about the objectives and recent history of the project.

The Mohole project will include: (1) The conduct of deep ocean surveys (2) the design and construction of deep drilling equipment (3) the drilling of a series of holes in the deep ocean floor, one of which will completely penetrate the earth's crust.

At the briefing session on July 27, persons closely associated with the project will speak on its various aspects. This will be followed by a question and answer period. The meeting is expected to last most of the day. All representatives attending will do so at their own expense.

The Foundation is searching for the best possible source to perform the engineering, management, and other work as a prime contractor. This announcement is being made in order that all qualified organizations have an opportunity to learn about the project and to express their interest.

After the briefing, those organizations wishing to be considered for the prime contract will have 30 days in which to submit a statement of qualifications and a management plan.

Only those organizations capable of managing the entire project will be considered.

To qualify for consideration as a prime contractor, an organization must meet the following minimum criteria:

1. Have adequate financial resources for the performance of the contract;
2. Have the necessary experience, organization, technical qualifications, skills and facilities, or the ability to obtain them. These should include the capability for designing experiments and equipment, or supervising the construction and operation of drilling ships, and of doing scientific work at sea;
3. Be willing to contribute freely of its own knowledge and to permit publication of all methods and results.

BRIEFING SESSION FOR MOHOLE PROJECT

Senator ALLOTT. Now, in this second document here you announced a briefing session for the Mohole project for the National Science Foundation Auditorium on July 27, 1961, at 9 a.m. eastern daylight savings time.

You said therein:

The Mohole project will include (1) the conduct of deep ocean surveys, (2) the design and construction of deep drilling equipment, (3) the drilling of a series of holes in the deep ocean floor, one of which will completely penetrate the earth's crust.

At the briefing session on July 27, persons closely associated with the project will speak on its various aspects. This will be followed by a question and answer period.

And then you said,

The Foundation is searching for the best possible source to perform the engineering, management, and other work as a prime contractor. This announcement is being made in order that all qualified organizations have an opportunity to learn about the project and to express their interest.

After the briefing, those organizations wishing to be considered for the prime contract will have 30 days in which to submit a statement of qualifications and a management plan.

Did you hold that meeting?

Mr. WATERMAN. This meeting was held, yes, sir.

Senator ALLOTT. And how many people attended?

Mr. WATERMAN. Mr. Scherer.

Mr. SCHERER. Eighty-four.

ORGANIZATIONS REPRESENTED

Senator ALLOTT. And how many organizations did that represent, Mr. Scherer?

Mr. SCHERER. Those were 84 organizations, Senator, those were representatives of 84 organizations.

Mr. BENSON. There were many more than 84 people present.

Senator ALLOTT. Now, you further set up:

To qualify for consideration as a prime contractor, an organization must meet the following minimum criteria:

1. Have adequate financial resources for the performance of the contract;

I will ask you now, did you eliminate any bidders or proposals upon this basis?

Mr. WATERMAN. After that first meeting?

Senator ALLOT. At any time.

Mr. WATERMAN. No.

Mr. SCHERER. We did not, no.

Senator ALLOTT (reading):

2. Have the necessary experience, organization, technical qualifications, skills and facilities, or the ability to obtain them. These should include the capability for designing experiments and equipment, of supervising the construction and operation of drilling ships, and of doing scientific work at sea;

3. Be willing to contribute freely of its own knowledge and to permit publication of all methods and results.

BROWN & ROOT CO.

I want to ask you, in view of the fact that a letter contract has subsequently been made to Brown & Root, did Brown & Root have a representative at that meeting?

Mr. WATERMAN. Mr. Scherer.

Mr. SCHERER. No, not at that meeting.

Senator ALLOTT. Now, you prepared as a result of that, a list of "interested" parties.

Mr. SCHERER. They were given an opportunity, Senator——

Senator ALLOTT. I will ask the questions, Mr. Scherer.

Mr. SCHERER. There were 12 proposals received.

Senator ALLOTT. Just wait a moment and you will get an opportunity to answer anything that doesn't present your side of the case.

I will ask you again if the Brown & Root Co. was on the list of "interested" people which was prepared as a result of that meeting?

Mr. SCHERER. No.

Senator ALLOTT. The answer is "No."

Now, at that meeting you announced that there would be a 30-day period within which to submit proposals, is that correct?

Mr. WATERMAN. To the best of my recollection.

Is that right, Mr. Scherer?

Mr. SCHERER. Yes, it is.

Senator ALLOTT. And up to this time Brown & Root had evidenced no interest in this matter as far as the National Science Foundation was concerned, not even to the extent of sending a representative to the first meeting where the whole project was to be explained, and you spent, I believe, the whole day or a substantial part of the day in that meeting, is that correct or not?

Mr. WATERMAN. I can only say that they were not there. I don't know about any contact with them at that time.

Do you know, Mr. Scherer?

Mr. SCHERER. No; they were not there.

DELAY IN AWARD OF GRANTS

Senator ALLOTT. Subsequent to this you granted a delay from August 26, 1961, the last day, for the granting of proposals to September 11, 1961, did you not?

Mr. SCHERER. That is correct.

Senator ALLOTT. And this was done at the request of one party. Who was it?

Mr. SCHERER. At the request of several parties.

Mr. BENSON. At the request of several of the organizations.

Senator ALLOTT. Will you name them, and if you do not have them here will you put them in the record at this point?

Mr. SCHERER. We will do that, sir.

Senator ALLOTT. And if they have letters making the request for the continuance, I would like to have those letters.

(The material referred to follows.)

No letters were received asking for extensions. Several calls were received, including calls from GE and Mecom. No request for extension was received from Brown & Root whose proposal was the first received by the Foundation.

Senator ALLOTT. Now, on September 11, 1961, did Brown & Root file with you or by that time a proposal in general conformity with the announcements at the meeting on July 27?

Mr. SCHERER. Yes; they did.

Senator ALLOTT. What was the nature of that proposal?

Mr. WATERMAN. We can look that up for you, Mr. Chairman.

Mr. BENSON. It was a rather complete proposal stating their qualifications in the field of marine engineering and management of large engineering projects, a statement of their interest in the Mohole project, and a general management plan.

Senator ALLOTT. Is it not true that at the July 27 meeting you indicated that you were going to select a prime contractor within 1 month after August 26?

Mr. WATERMAN. Was that the understanding at that time, Mr. Scherer?

Mr. ROBERTSON. I think we said we would attempt to do that, and there were indications of disbelief from the floor.

Senator ALLOTT. I have been informed that the proposal that Brown & Root filed at that time was the routine contractors, general contractors brochure, and was not to any degree responsive to the particular scientific investigation which was proposed. Would you say that I am incorrect in that information?

Mr. SCHERER. I would say that it was responsive to the invitation.

Senator ALLOTT. Now, Dr. Waterman, you will recall that on numerous occasions both prior to your appearance before this committee last year and subsequent to it, the senior Senator from Colorado called you expressing interest in the Mohole project.

Mr. WATERMAN. Yes, sir.

Senator ALLOTT. Did you ever call the senior Senator from Colorado to inform him of any progress in this matter at all?

Mr. WATERMAN. To the best of my recollection, I did this twice—I may be wrong. Certainly I called as the Senator requested, as soon as a decision had been reached.

Senator ALLOTT. We will go into that matter later. That is correct, on February 28, 1962. We will go into that later.

SCREENING PROCESS

Then on January 31, 1962, a group of five was screened down to three. The five were Brown & Root, General Electric, Global Marine, Socony Mobil, and Zapata. Is that correct?

Mr. WATERMAN. That is correct; yes.

Senator ALLOTT. And following this each of these five teams met with your evaluation board or a portion of them somewhere in the United States.

Mr. SCHERER. We met with each of the five during January before screening down to the three companies.

Senator ALLOTT. And on January 31 this group was screened down to three, Brown & Root, Global Marine, and Socony Mobil.

Mr. SCHERER. Yes, sir.

Senator ALLOTT. Now, let's find out what the Global Marine group consisted of.

Mr. WATERMAN. Do you have that answer, Mr. Scherer?

Mr. SCHERER. It consisted of Aerojet-General, Shell, and Global Marine.

Senator ALLOTT. And of what did the Socony-Mobil group consist?

Mr. SCHERER. Socony, Standard of California, Texas Instruments, and General Motors.

BROWN & ROOT TEAM

Senator ALLOTT. And of what did the Brown & Root team consist?

Mr. SCHERER. Can you give that, Dr. Benson?

Mr. BENSON. It consisted of Brown & Root with some associates, including Western Geophysical and Minneapolis-Honeywell, as possible aids to them, with Rice University as scientific consultant.

Senator ALLOTT. Now, in February 1957 this matter was still under consideration, was it not? And in the first part of February I called you again and asked you what progress was being made, Dr. Waterman, did I not?

Mr. WATERMAN. I don't know about the date, but about that time; yes, sir.

Senator ALLOTT. Then on February 14 I called you from Denver, Colo.; is that correct?

Mr. WATERMAN. To the best of my recollection. I wouldn't be sure of the date, sir.

Senator ALLOTT. And at that time—and fix this occasion in your mind—I told you that I had gone to Denver and was confined to bed with the flu.

Mr. WATERMAN. Now I recall it; yes, sir.

Senator ALLOTT. And so there will be no confusion, that I would be in bed for 7 days with the flu and wouldn't be back?

Mr. WATERMAN. I recall now; yes.

Senator ALLOTT. And I asked you if any decision had been made, and you informed me the same thing that you had previously informed me, that this matter was still under evaluation by the evaluation board—is that the proper name for it?

Mr. WATERMAN. I expect so. The answer was that no decision, of course, had been reached.

Senator ALLOTT. Sir?

Mr. WATERMAN. The answer that I gave you, I believe, was that no decision had been reached, which was correct; yes.

Senator ALLOTT. Didn't you also inform me that it was still under consideration by the evaluation board, and it was not before you yet at that time?

Mr. WATERMAN. I can't recall that, sir. I just don't remember.

Senator ALLOTT. I will say that you did, on my own behalf.

Mr. WATERMAN. At about that time it was under very thorough study by our group.

HOUSTON NEWSPAPER ARTICLES

Senator ALLOTT. I also told you at that time the occasion of my call was that I had been informed that a decision had been made, and that there were certain articles published in Houston papers indicating that a decision had been made: did I not?

Mr. WATERMAN. I believe I told you, sir, that there was no foundation for those.

Senator ALLOTT. I told you that, didn't I?

Mr. WATERMAN. My comment was—I remember you saying something of that sort, and my comment was that there was no foundation for these, because no decision had been actually reached.

Senator ALLOTT. And you also told me at that time that there would not be a decision made for several weeks?

Mr. WATERMAN. I don't recall my exact words, but I did not at that time promise when the decision would be reached, because it was under study.

Senator ALLOTT. If you do not recall your exact words, I will say that at that time you told me, when I asked you specifically how long it would be before a decision was reached, that it would be several weeks.

Mr. WATERMAN. My understanding would be, Senator, that I probably would have said it might take as long as several weeks. But I don't know why I should have said that it would actually take place not until several weeks.

Senator ALLOTT. Now, after that time, upon my return to Washington, I believe I talked to you again, if I recall.

Mr. WATERMAN. Yes, sir.

(Short recess.)

Senator ALLOTT. We will go ahead. The chairman will be back in a moment.

Referring back to my question to you about my conversation with you on February 14, did you see an article in the Houston Post on February 11 citing that Houston would play a leading part in the Mohole Project, and citing specific people, firms, including Brown & Root, Rice University, and others that would take part in the project?

Mr. WATERMAN. To the best of my recollection I did not see this. I heard about it. And as I said before, there was certainly no justification from the facts or from the article which would indicate that a decision had been made. The fact is that a decision had not been reached by that date.

Senator ALLOTT. I subsequently informed you of this article, however, although I did not provide a copy of it to you.

Mr. WATERMAN. You were one of those that told me; yes, sir. I think I made the same reply to you then, that no decision had been reached.

Senator ALLOTT. I will ask that this be inserted in the record.

(The article referred to follows:)

[From the Houston Post, Feb. 11, 1962]

IN ADDITION TO SPACE ROLE, HOUSTON MAY PLAY LEADING PART IN MOHOLE EARTH PROBE

(By Ralph S. O'Leary, Post science editor)

Houston, already chosen for a major part in the Nation's space program, may also play a leading role in another of the top scientific ventures of the present decade.

This is Project Mohole, the proposal of American scientists to drill a hole through the thin outer crust of the earth and into the hot, 1,800-mile-deep layer underneath which is called the mantle. The purpose is to find out what this inner layer is made of and thus learn more about this planet and its history.

Houston's chances were discussed in an article in the latest issue of the Rice University quarterly, the Rice Engineer. The article was written by Dr. LeVan Griffis, dean of engineering, and said:

"Active discussion is under way with the National Science Foundation to consider whether, in addition to manned exploration of outer space there shall be assigned to Houston industry and to Rice the responsibility for the principal engineering and scientific planning and execution of Project Mohole."

Dr. Kenneth Pitzer, president of Rice, was reluctant to discuss the situation. He said he considered it premature as the Science Foundation in Washington was in process of narrowing down the companies still under consideration.

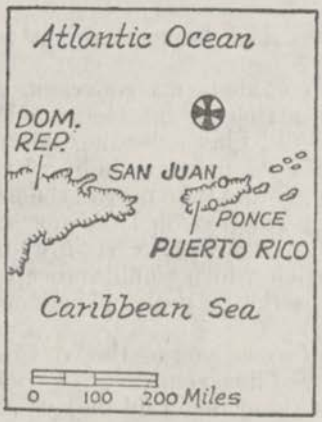
The Houston firm still under consideration by the Science Foundation is Brown & Root, Inc., he said.

"Brown & Root asked the university to act as its scientific consultant if it was selected by the Science Foundation," Dr. Pitzer said, "and in view of the great interest in the Mohole project by many of our faculty, we readily agreed."

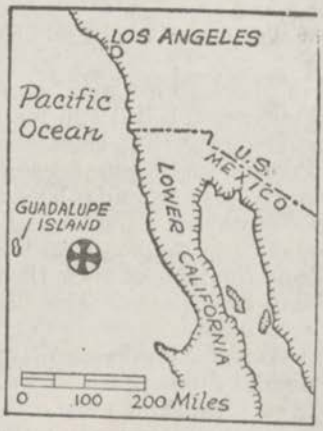
The Science Foundation is expected to announce the name of the company chosen in the near future, possibly in the next few days, he said.

The Mohole project is a modest scientific program moneywise compared to the National Aeronautics and Space Administration plan to put American astronauts on the moon before the end of the decade. The space program is expected to cost from $20 to $40 billion. Cost of the Mohole program is estimated at $20 million.

The Mohole project was proposed by the National Academy of Sciences—National Research Council and the Science Foundation, the governmental agency founded to support basic research, will put up the money.



ATLANTIC SITE
Cross Marks Trench



PACIFIC SITE
Drilling Area Shown

It gets its name from the late Andrya Mohorovicic, a geophysicist from Zagreb, Yugoslavia. Mohorovicic, after studying the record of the seismic waves set off by an earthquake in Yugoslavia in October 1909, came to the conclusion that the earth had a thin outer layer or crust about 20 miles thick, below which was a much more dense layer (the mantle) now believed to be about 1,800 miles thick.

He came to this conclusion because the velocity of the seismic or shock waves sent out by earthquakes tends to increase with the density of the material through which they travel.

At a depth of about 20 miles, he found that the speed of the waves suddenly increased by about a third. It appeared that there was a sudden discontinuance of the light outer material of the earth's crust at that depth with more dense matter below.

This apparent separation has been named the Mohorovicic discontinuity in Dr. Mohorovicic's honor. Scientists have now nicknamed it the "Moho" and when they planned to drill a hole through it, they named it the Mohole.

It would be quite a job to drill a hole more than 20 miles deep. The deepest hole so far drilled by man was an unsuccessful oil well in Pecos County, Tex., which went down about 4.8 miles. It was quite expensive, costing about $3.5 million.

But since Mohorovicic's day, geophysicists have discovered through the study of seismic waves that the thickness of the earth's outer crust seems to vary greatly in certain places. Under the mountains it is sometimes 35 miles thick while under the oceans it is sometimes only about 3 miles thick.

Drilling oil wells to depth of 3 miles is fairly common in Texas and Louisiana and other places about the globe, so the scientists in the Mohole project decided to do their drilling under the ocean.

The difficulty about this, however, is that the area where the earth's crust under the oceans is thin are usually under very deep water. The deepest water in which an oil well has been drilled is about 120 feet.

The project scientists, under the direction of Dr. Willard Bascom, have selected two prospective sites for drilling the Mohole. They are:

(1) An area in the Pacific Ocean between the west coast of Lower California, Mexico, and Guadalupe Island.

(2) A spot in the Atlantic Ocean about 100 miles north of Puerto Rico.

The water at the Pacific Ocean site is more than 2 miles deep while in the Atlantic the site is under a deep, gouged-out hole in the ocean floor called the Puerto Rico Trench where the water is more than 4 miles deep.

Last spring, in the first experimental drilling program for the project, Dr. Bascom and his scientific crew discovered that it was possible to drill the hole in deep water.

The selected the site off Guadalupe Island in the Pacific. An experimental drilling rig mounted on the barge, *Cuss I* of the Global Marine Exploration Co., Los Angeles, let down drills to the ocean floor in 11,700 feet of water, and found that it was possible to drill in deep water from an unanchored ship even with waves up to 12 to 15 feet in height and winds up to 40 miles an hour.

SECOND LAYER CORE.—Scientists Edward Bullard, left, and Dr. Gordon Lill, are shown with a core from the experimental drilling for the Mohole last spring off Guadalupe Island in the Pacific. It is a sample of basalt rock, believed from the second layer of the earth's crust under the oceans.

A Houstonian, C. Don Woodward, senior petroleum engineer at the Bellaire Research Laboratories of Texaco, Inc., was the drilling superintendent. He reported on his return that the *Cuss I*, with sonar, radar, and other electronic equipment, was able to stay within 350 feet of its position throughout the drilling.

The drill went down through nearly 560 feet of ooze and sediment on the ocean floor and then hit hard rock, which was penetrated for 44 feet before the drill bit began to wear out, he said.

Geophysicists, again on the basis of the velocity of travel of seismic waves through the earth's crust under the oceans believe there are usually four layers of the crust over the mantle.

Dr. Bascom reported that his experimental drilling rig had brought up core samples from the top layer, the 560 feet of ooze, and from the second layer, a basaltic rock underneath. In the ooze were found fossil remains of sea animals 25 million years old.

Last summer, the Woods Hole Oceanographic Institution research vessel, *Chain*, let down a scoop dredge 4.35 miles deep in the Puerto Rico Trench in the Atlantic Ocean. From a vertical wall on the north side of the trench the dredge scooped up rock which is believed to come from the third layer of the earth's crust under the ocean. The specimens were of an ultradense basic rock, light green in color on the fresh-cut edges.

Seismic wave specialists from Texas A. & M. College Oceanography Department took part in the expedition.

The next step is the drilling through the Moho discontinuity itself and then into the earth's mantle, which may turn out, perhaps, to be the original earth's surface before the continents formed.

NEWSPAPER ARTICLE

Senator ALLOTT. This was 3 days prior to my conversation with you.

I want to insert also an article from the Oil Daily on Wednesday, February 28.

(The article referred to follows:)

[From the Oil Daily, Feb. 28, 1962]

PHASE 2 FOR MOHOLE ANNOUNCED

WASHINGTON, February 27.—The National Science Foundation announced today that it has selected Brown & Root, Inc., Houston, for negotiations looking toward a contract for phase 2 of Project Mohole—a long-term scientific effort to drill a hole through the earth's crust to the mantle to learn more about the composition and physical properties of crust and mantle.

NSF officials said that award of the Mohole contract to Brown & Root will "signal the start of work on man's greatest single geological exploration project."

Under the contract, the Houston firm will plan, manage, and furnish or procure all services, material, and facilities needed to drill a hole through the crust of the earth, and for sampling, logging, and coring it for scientific data.

An ocean site is planned for the Mohole project because the mantle is closest to the earth's surface under the deep ocean. It is estimated that the mantle can be reached by a drill string 30,000 to 35,000 feet long, passing through 15,000 to 20,000 feet of water and 15,00 feet of crustal rocks.

No definite time or cost estimates are yet available on phase 2 of the project, but rough estimates have ranged from $35 to $50 million over 3 to 7 years.

The initial letter contract, NSF said, will permit Brown & Root to go ahead with the first stage of work—major engineering studies on drilling instrumentation for collecting scientific data, design of drilling equipment, and platform or ship, the problem of hole reentry at sea, drilling string design, and logistic support.

Phase 1 of the project ended successfully when drilling was first undertaken off La Jolla, Calif., in 3,000 feet of water and later off Guadalupe Island near Mexico, where holes were drilled in 11,700 feet of water. At the La Jolla site, the drill bit penetrated 1,035 beneath the ocean floor; off Guadalupe Island the maximum depth drilled was 601 under the ocean floor.

APPEARANCE BEFORE HOUSE COMMITTEE

Senator ALLOTT. Is that the day you appeared before this subcommittee in the House of Representatives?

Mr. WATERMAN. I think that was the correct date, yes, sir. That was Wednesday, wasn't it?

Senator ALLOTT. Wednesday, February 28.

Mr. WATERMAN. I believe that is right, yes.

Senator ALLOTT. This article in the Oil Daily on Wednesday carries a review of the whole project, saying that the National Science Foundation has given the contract to Brown & Root of Houston, Tex. I will put this in the record.

Now, did you call me on February 28?

Mr. WATERMAN. Yes, sir.

Senator ALLOTT. What time of the day was it?

Mr. WATERMAN. As soon as I got out of the meeting, I believe, sir.

Senator ALLOTT. As a matter of fact, it was at 5:15 on the afternoon of February 28?

Mr. WATERMAN. I don't recall the exact circumstances, but I had it in mind to call you at the first opportunity, and that is what I did.

Senator ALLOTT. Dr. Waterman, when you went to that meeting that day over there, what time did you go over?

Mr. WATERMAN. I don't recall the time of the meeting now, sir.

Senator ALLOTT. Did you go over in the morning?

Mr. WATERMAN. I believe it was in the morning; yes, sir.

Senator ALLOTT. So you knew when you went there in the morning that a decision had been made upon the Mohole project?

Mr. WATERMAN. Yes, sir.

Senator ALLOTT. Now when did you make that decision? Or did you make it?

Mr. WATERMAN. I made the decision; yes, sir. And the decision was made about a day or so earlier, and then we wanted to be sure that all elements in the situation would be covered before I released the information. So that the actual decision was announced on the 28th.

Senator ALLOTT. Then the Senator from Colorado, who is a member of this Appropriations Subcommittee, is not one of the "all elements" to be covered, is that right?

Mr. WATERMAN. I think we were right, sir, in making sure that all parties interested would be informed at the same time as nearly as possible.

Senator ALLOTT. As a matter of fact, Brown & Root had information on it the previous day, did they not?

Mr. WATERMAN. Not that I am aware, sir.

Mr. Scherer?

SELECTION DATE

Mr. SCHERER. The record shows that the selection was made on the 26th, and a press release was prepared for release on the 28th with the intention of notification to all interested persons by the 28th.

Senator ALLOTT. At any rate, when you left the office you said a determination was made 1 or 2 days before this time by you, and you did not have anyone inform the Senator from Colorado that a decision had been made, and you left the office and you went to a hear-

ing which announced the awarding of the contract, and your office released the information on the awarding of the contract, and it was published in papers all over the country, and the information was not given to the Senator from Colorado until 5:15 that evening when you called him? Is that a fact, Mr. Waterman?

Mr. WATERMAN. I don't recall the time, Senator, I only know that I had in mind to call you at the first opportunity, and that seemed to be it. I could have hardly done it during the hearing.

Senator ALLOTT. You have said—you have already said—that the decision was made 1 or 2 days in advance of this?

Mr. WATERMAN. I reached the decision myself, sir, and then it was necessary to get the staff together to inform them of this. My thinking was settled on the day before or thereabouts. But it was then necessary to get the staff together to tell them about this and to cover all the necessary arrangements that had to be made.

Senator ALLOTT. Mr. Chairman, in this respect there is a very good article by John Averill of the Times bureau, and I ask that it be included in the record at this point.

Senator MAGNUSON. Without objection, it will be included in the record.

(The article referred to follows:)

[From the Los Angeles Times, Mar. 18, 1962]

FAILS TO KEEP PROJECT MOHOLE; SOME EYEBROWS RAISED

ANOTHER BIG SCIENTIFIC JOB GOES TO TEXAS FIRM—CALIFORNIA-BASED COMBINE FAILS TO KEEP PROJECT MOHOLE; SOME EYEBROWS RAISED

(By John H. Averill, Times Washington Bureau)

WASHINGTON.—The National Science Foundation announced Saturday the signing of a preliminary contract with Brown & Root, Inc., of Houston, for the second phase of Project Mohole which began off the coast of California.

One of the two losers in the decision was an industrial-scientific team headed by the Global Marine Drilling Co., of Los Angeles, which pioneered in the preliminary borings through the ocean floor and, according to NSF, "successfully completed" them last April.

The contract signed with Brown & Root, a fabulous and farflung Texas engineering and contracting firm which has undertaken numerous big Government projects since the early days of World War II mobilization, was for $1.2 million, but the formal contract, to be signed in 90 days will amount to something between $35 and $50 million, according to the Foundation.

PLAN TO PIERCE CRUST

The aim of the Mohole project is to drill a hole through the earth's crust and into a layer beneath called the mantle. This would give scientists information about the age and structure of the earth.

It was the second time in recent months that eyebrows in the Capital have been raised by the Texas firm snagging a spectacular Government project from another State where it had been apparently proceeding satisfactorily. Brown & Root was named by the National Aeronautics and Space Administration as the contractor for the new Project Mercury space headquarters in Houston.

JOHNSON'S STATE

Virginia and Florida, where the man-in-space activities have been concentrated in the past, were the only two Southern States to desert the Democratic fold

last election. It is not lost on political observers that Vice President Johnson, whose task was to hold the once "solid South" for the ticket, has overall responsibility in the Kennedy administration for space activities as Chairman of the National Space Council and longstanding loyalties to his native Texas.

The funds for both NASA and NSF are voted by the Independent Offices Subcommittee of the House Appropriations Committee, headed by Representative Albert Thomas, Democrat, of Texas, who has represented Houston in Congress since 1937. This was also the year Lyndon Johnson was first elected to Congress from Austin in a special election.

Because of the unprecedented nature of Project Mohole, conventional bids were not required from the three competing combines, NSF officials explained. However, a high NSF official indignantly refused to supply the Times with the "rough cost estimates" submitted by the finalists, or to discuss the considerations governing the award in any detail.

Paul A. Scherer, NSF's Associate Director for Administration, accused the Times reporter of attacking the Foundation" when he asked how, in light of President Kennedy's repeated pledges of open information in nonsensitive areas, he could put a "Secret" tag on a nonmilitary project involving millions in public funds.

DIRECTOR UNAVAILABLE

Dr. Alan T. Waterman, Director of the NSF, was unavailable for comment Saturday.

Other NSF officials and knowledgeable Government scientists, while nervously asking anonymity for their comments and also declining to divulge the monetary amounts involved, expressed some surprise at the decision but explained that cost was not the governing factor in this case.

They said the winning firm was chosen by a five-man NSF screening committee which made final recommendations to Dr. Waterman on the basis of know-how and each applicant's proposed attack on the problem.

Global Marine, the Los Angeles firm which has extensive experience in deep-sea drilling operations for oil and conducted the initial phase of Project Mohole, involving probes to record depths of 11,000 feet off Guadalupe Island off Baja California after earlier tests off La Jolla, was allied in its bid to continue with Aerojet-General Corp., of Azusa and the Shell Oil Co.

REFUSE COMMENT

The other loser was another combine headed by Socony Mobil Oil Co. and including Standard Oil Co. of California, General Motors, Texas Instruments, and Humble Oil Co. Spokesmen for both combines refused any comment on the award.

It was hardly a surprise in Houston, however, that Brown & Root had the inside track in Washington.

The Houston Post carried a local story on February 11, more than 2 weeks before the NSF's first disclosure of their decision to "negotiate" Saturday's contract with the Houston firm, saying that Rice University had been asked to furnish the scientific consulting services for Project Mohole if "in addition to manned exploration of outer space, there shall be assigned to Houston industry and to Rice the responsibility for the principal engineering and scientific planning and execution of Project Mohole."

The source of the story was the Rice University Engineering Quarterly, and Rice President Kenneth Pitzer was quoted as reluctant to elaborate on a situation he considered "premature."

HEADS RICE BOARD

Chairman of the board of trustees of Rice is George R. Brown, executive vice president of Brown & Root, which is headed by his brother Herman as president. The firm was started as a partnership in 1919 with a brother-in-law of the Browns, Dan Root, who died in 1929. Brown & Root has grown rapidly since 1936 when it won its first Federal Government job, the Marshall Ford Dam north of Austin in 1936.

In May 1957 the business publication Business Week profiled Brown & Root in an article entitled "Roadbuilders With a Flair for Other Jobs." The story told how the Brown brothers had built up their construction concern from scratch to a multimillion-dollar operation—much of it through Government contracts.

Business Week also described President Herman Brown as a close friend and associate of the then Senate majority leader, Senator Johnson, and Representative Thomas. It made no mention of either Brown's brothers' political affiliation nor do their authorized biographies in "Who's Who in America" but the liberal magazine the Nation, in its November 10, 1951, issue, described Herman Brown as a Texas political powerhouse seemingly "able to secure the passage in the Texas Senate of practically any bill he chooses to have introduced."

Diligent inquiry by the Times has failed to produce any evidence of political influence in the Mohole contract award either by Brown & Root or any of the elected Texans in official positions here. This makes even more inexplicable NSF's official refusal to discuss candidly for the record the basis for the award or the comparative cost estimates submitted.

It was learned, however, that NSF began pointing toward phase 2 last summer after completion of the preliminary experimental probing in Pacific waters. The Foundation canvassed numerous firms that indicated an interest in the second and far more important phase. Out of this grew a meeting last autumn attended by representatives of 84 firms, including some of the Nation's biggest and best-known concerns. The meeting resulted in the Foundation's receiving 12 separate proposals from individual firms or combinations of firms on how best to tackle the big project, which were finally reduced to 3 and then 1.

Brown & Root's background in offshore drilling, competent scientific sources said, was in relatively shallow waters of the Gulf of Mexico while Global Marine and the third combine had done similar oil drilling in the Pacific and other waters. The final location of the phase 2 Mohole proble has not been selected by the National Science Foundation, but it must be under the ocean floor because the earth's crust is believed to be thinner there than on dry land.

[From the Los Angeles Times, Mar. 22, 1962]

KUCHEL DEMANDS DETAILS ON AWARD OF MOHOLE PROJECT TO TEXAS CONCERN

(By John H. Averill, Times Washington bureau)

WASHINGTON.—Senator Kuchel, Republican, of California, called Wednesday for replies to some unanswered questions involving the National Science Foundation's award of the Project Mohole contract to a Texas firm.

Kuchel asked Dr. Alan T. Waterman, the NSF director, for cost estimates furnished by the three final competitors for the spectacular project which involves drilling a hole through the ocean floor in an attempt to unlock secrets of the earth's birth.

The first phase of the project was carried out off the California coast by a Los Angeles firm.

In a letter to Waterman, the Senator said he was "deeply disturbed," by the Foundation's refusal to divulge cost estimates for the competing organizations.

"I would also be grateful to know on what grounds this information has been denied to the public through the press," Kuchel wrote.

As reported by the Times last Sunday, the NSF signed a preliminary contract for the second and final phase of the Mohole project with Brown & Root, Inc., a huge engineering and contracting firm in Houston. The preliminary award was for $1.2 million, but the formal contract expected to total between $35 and $50 million will be signed in approximately 90 days, the NSF said.

One of the two losers in the decision to give the contract to Brown & Root was an industrial-scientific team headed by the Global Marine Drilling Co. of Los Angeles. NSF said this team "successfully completed" pioneer work in Pacific waters last April.

SECOND CONTRACT

It was the second time in recent months that Brown & Root had plucked a major Government project from another State where it apparently had been proceeding satisfactorily.

When queried by the Times about its decision in awarding the contract, NSF officials frankly refused to disclose cost estimates from the competing organizations. They said cost was not a determining factor since the Mohole project involves so many unknowns it would be almost impossible to estimate expenses accurately.

The deciding factor, they said, was the NSF evaluation of which contingent could do the best job. While describing the decision as "very difficult," the Foundation's officers said they felt Brown & Root was best equipped.

Kuchel, in his letter to Waterman, said:

"Project Mohole, which seeks to provide us with vital unknown information about the structure of our planet, has held a particular fascination for me.

"This project, which began off the coast of California and whose first phase was successfully completed by a Los Angeles firm almost a year ago, will certainly be of great value in providing our earth scientists with many new insights into the nature of the earth.

"I shall watch the development of the second phase for which you have now announced the award of a preliminary contract to Brown & Root, Inc., of Houston, Tex., with great interest.

"I am deeply disturbed, however, by the Foundation's refusal to divulge the cost estimates supplied by the three finalists for this contract.

"I am fully aware, as reported by the Times, that other considerations besides those of cost were paramount in your final decision."

REVIEW PANEL

Senator ALLOTT. Now, as I understand it, your evaluation committee—or what do you call it, a screening committee?

Mr. WATERMAN. The first one we called a Preliminary Evaluation Panel. The second, consisting of senior people in the Foundation, was called the NSF Review Panel.

Senator ALLOTT. According to the report of the Comptroller General, Brown & Root ranked fifth of those evaluated by your committee.

Mr. WATERMAN. This was the first go-around of this Preliminary Evaluation Panel. Yes, sir, I think that is correct.

Senator ALLOTT. Where did Brown & Root rank in the second go-around?

Mr. WATERMAN. It was somewhat similar.

Could you state that specifically?

Mr. SCHERER. Brown & Root ranked third on the point rating scale in the second evaluation. Our report to Dr. Waterman in the final evaluation was that in our opinion any of the three remaining could do the job effectively.

Mr. WATERMAN. If you are asking this by steps, there were points assigned by the Preliminary Evaluation Panel, and then this was subjected to a second study where the proposals were again reviewed after the briefing sessions with the companies. In the final analysis there were three left and the report in this connection stated that these three were qualified to undertake the Mohole project.

There were no points associated with that last evaluation of the three.

Senator ALLOTT. Now, on July 27, the date that you actually called for these proposals, there was a board and Preliminary Evaluation Panel consisting of six programs and administrative or staff members of the Foundation to evaluate them, and you fixed a list of 12 which appear in the Comptroller General's report?

Mr. WATERMAN. These were the 12 who put in proposals; yes, sir.

Senator ALLOTT. They were the 12 who did the job and got in under the wire as they were asked to do?

Mr. WATERMAN. Yes, sir.

Senator ALLOTT. And were not given the benefit of any initial prolonging of time to file proposals?

Mr. SCHERER. They were all given the courtesies of the extension; yes, sir.

Senator ALLOTT. After you had extended it for the benefit of others?

Mr. SCHERER. There was a general request for extension of time.

Senator ALLOTT. You are going to file those letters in the record?

Mr. SCHERER. Yes, sir, if there are any. In my recollection all of these requests came by phone, but we will give you our records as we have them on those telephone calls.

PRELIMINARY EVALUATION

Senator ALLOTT. Now, in this evaluation Socony-Mobil had a score of 936, Aerojet had one of 902, and Brown and Root had one of 801, or roughly 10 percent below either one of the leaders?

Mr. WATERMAN. That was on this preliminary evaluation; yes, sir.

Senator ALLOTT. Now, at the same time you decided to weigh these proposals—and this I want to go into quite thoroughly—you put a financial capability weight of 8 percent; comprehension and soundness of approach only 8 percent; management and policy considerations, 39 percent; support facilities available or readily obtainable, 14 percent; technical and scientific experience and capability, 31 percent.

In other words, the comprehension and soundness of approach accounted for only one-fifth as much in the evaluation as management; is that right?

Mr. WATERMAN. That is the way we assigned the points, sir. And there is a consideration which should be taken into account here.

We are a scientific organization that has not been in the business of procurement or the making of large contracts in general.

On the other hand, being a scientific and technical organization, we felt we could contribute to that side of it by our own experience and the experience of other competent persons on whom we could call.

On the other hand, we felt that we had little experience in the management of large projects, and, that this factor should, therefore, be weighted more heavily. That was the chief reason.

Senator ALLOTT. I was figuring 39 percent selected, because it didn't sound as big as 40 percent.

Mr. WATERMAN. Whenever one weighs points one puts them down approximately and one has to add weight up to 100 percent, there are adjustments to do that.

Senator ALLOTT. Almost one-half of your evaluation was on the basis of management?

Mr. WATERMAN. As I said, we felt that strong management was paramount because we could provide direction on the scientific and technical side.

Senator ALLOTT. And the nearest to it was technical and scientific experience and capabilities, 31 percent.

Now, when was this weighting process put in?

INITIATION OF WEIGHTING PROCESS

Mr. WATERMAN. It was decided by the evaluation panel which had been set up after weighing all the factors.

Senator ALLOTT. When? I want dates.

Dr. WATERMAN. Can you answer that, Mr. Scherer?

Mr. BENSON. Senator, I can answer that, not with a specific date, but these factors were set up and weighted before the proposals were opened.

Senator ALLOTT. Before they were opened?

Mr. WATERMAN. Yes; that I remember.

Senator ALLOTT. But not before you knew who was in?

Mr. BENSON. The criteria were developed and weighted before any of the proposals were opened.

Mr. WATERMAN. Yes, this was one of the first things we made sure of, Senator Allott, that such things as the weighting factors would be decided before we were concerned with the actual people and the actual proposals.

Senator ALLOTT. Now, in your memorandum of July 27, which was an invitation to submit proposals for phase II, you asked the people there to consider whether or not—what overcharge or charge for management or supervision they would expect or want.

Mr. WATERMAN. As I recollect it, we did.

Senator ALLOTT. In substance something of this sort.

Mr. WATERMAN. Yes, sir.

PROPOSAL AS TO MANAGEMENT FEE

Senator ALLOTT. Now, taking the first two out of the final three that you selected, what did Socony-Mobil propose with respect to a management fee?

Mr. WATERMAN. Dr. Benson, do you recall that?

Mr. BENSON. They proposed no management fee.

Senator ALLOTT. And what did Global Marine propose with respect to a management fee?

Mr. BENSON. No fee.

Senator ALLOTT. And you entered into a letter contract with Brown & Root subsequently in the spring of this year for a cost-plus, a fixed-fee contract, and that was how much?

Mr. SCHERER. The fixed fee is $1.8 million.

Senator ALLOTT. $1.8 million as compared with no fee in either of the other instances.

Now, also I want to ask you if Brown & Root included in their proposals any clause against discrimination by reason of race, religion or color.

Mr. SCHERER. They did include all of those required provisions in the contract.

Senator ALLOTT. In your contract. But in their first proposal did they or did they not?

Mr. WATERMAN. If we can't answer it now we can look it up.

Mr. BENSON. I do not believe so. This was not required in the proposals, and to the best of my knowledge, none of the companies put such provisions in their proposals.

Senator ALLOTT. But Global Marine and Socony did?

Mr. BENSON. To the best of my recollection, they did not.
Senator MAGNUSON. We can get that for the record.
Mr. BENSON. We can check that.

STATEMENT OF SENATOR KUCHEL

Senator ALLOTT. Now, Mr. Chairman, I want to ask that the remarks of Mr. Kuchel, who is a member of this committee, on the floor of the Senate on June 20, page 10342, which also includes a copy of the Comptroller General's report, and correspondence between these people, be included in the record. It also includes the other article by John Averill which I do not wish to be included.

Senator MAGNUSON. Very well.

(The statement referred to follows:)

[From the Congressional Record, June 20, 1962]

AWARD OF PROJECT MOHOLE CONTRACT

Mr. KUCHEL. Madam President, on March 30, 1962, I requested the Comptroller General of the United States to investigate the procedures followed by the National Science Foundation in its award of a contract for phase II of Project Mohole to the firm of Brown & Root, Inc., of Houston, Tex. On June 18, 1962, the Comptroller General submitted to me an 8-page report on this matter.

In this report the Comptroller General summarized the procedures followed by the National Science Foundation in making this procurement. He noted that the NSF has tenatively agreed to award Brown & Root a fixed fee contract of $1.8 million based on a project duration of about 5 years and ultimate project costs of $43.6 million.

The Comptroller General expressed doubt that "meaningful estimates of costs could have been developed for a research project such as Mohole." He did note, however, that the final competing groups were asked in January 1962, by the NSF, "to estimate the cost and time required to carry the project through the initial penetration of the mantle beneath the earth's crust."

I found it revealing that Global-Aerojet-Shell Marine Co., a joint venture, estimated a cost of $23 million and a time requirement of 33–45 months. Brown & Root estimated $35 million and 5 years, while Socony Mobil estimated $44 million and about 5 years. As I noted earlier, the apparent award cost and time will be that proposed by Socony Mobil, although the award will go to Brown & Root.

In the Comptroller General's report, I found especially interesting the description of the contractor selection procedures which were used by the NSF in making this award. "Generally, five broad categories of criteria for the evaluation of the various proposals were approved by the Director of the NSF. These criteria and their subfactors had various weights and points. The least weight, 8 percent, was given to the 'financial capability' of the firm; another 8 percent was assigned to 'comprehension and soundness of approach'; then 14 percent to 'support facilities available or readily obtainable'; 31 percent was assigned to 'technical and scientific experience and capability.' However, the greatest emphasis, 39 percent, was given to 'management and policy consideration.'"

Despite this emphasis on "policy" considerations, a preliminary evaluation panel consisting of six program and administrative staff members of the Foundation ranked Brown & Root fifth out of 11 responsive proposals. This panel stated that the proposal of Socony Mobil was "in a class by itself—outstanding as to every important aspect." The panel noted that the Global-Aerojet-Shell proposal was in a strong second position; but, according to the Comptroller General the panel "found no apparent clear-cut order" below these two proposals.

The NSF Director next appointed a review panel of four senior NSF officials "to make a further evaluation and review the work of the preliminary evaluation panel." The Socony Mobil proposal was again found to be the best of those received. According to the Comptroller General, the two panels in a joint report "unanimously selected the proposal of Socony Mobil as their first choice and agreed that the proposals of Brown & Root, General Electric, Global-Aerojet-Shell, and Zapata Off-Shore Co. stood out over the others."

In December 1961, these five organizations had individual conferences with NSF officials. A reevaluation took place; and Global-Aerojet-Shell now scored first, with 968; Socony Mobil was second, with 964. Much further down the list was Brown & Root, with 899; followed by Zapata Off-Shore Co., with 890; and the General Electric Co., with 846. Although only nine points separate Zapata from the Brown & Root, the latter remained in the competition, while Zapata and GE were dropped.

The preliminary evaluation panel recommended that the three remaining organizations be visited in order "to obtain additional information for making a final evaluation." Following these visits, the two panels, in another joint report stated that all three organizations were competent to complete effectively the Mobile project. According to the Comptroller General, these panels "made no recommendation as to the one which should be selected, because of the panels' inability to reconcile completely the varying views of the individual panel members."

Both "competence" and "policy" factors were among the criteria. But it was noted that the panel was "equally divided between the selection of Brown & Root and one of the oil companies, with Global-Aerojet-Shell favored if an oil company was to be selected."

The Director of the National Science Foundation, under the authority delegated to him by the NSF Board, awarded the contract to Brown & Root, Inc. The Comptroller General states that the NSF was "within statutory authority in awarding the contract by negotiation rather than by competitive bidding under formal advertising procedures."

While noting that the "criteria and weights are basically sound and proper for application in a procurement of this nature," the Comptroller General makes it clear that "because of the scientific, technical, and engineering judgments necessarily involved in such application he was unable to state whether the criteria were adequately applied in evaluating the proposals."

Referring specifically to various "policy" factors "which were not included in the point evaluation but were considered in the final evaluation," the Comptroller General noted that while they were proper, "the records are not as clear as might be desired on this point." He added that "it would appear that any advantage Global-Aerojet-Shell and Socony Mobil may have held over Brown & Root in the factors previously considered in the point evaluation was offset by policy determinations favoring Brown & Root."

The Comptroller General stated that both the panels and the Director considered policy factors in considerable detail, but that "in the absence of evidence that such determinations were arbitrary or capricious, this Office of Comptroller General of the United States will not attempt to substitute is judgment for that of the contracting agency."

I do no quarrel with that, Madam President.

So far as the Comptroller General is concerned, this case, which began when the NSF arbitrarily denied the press access to the records of the Mohole award, is closed. I am grateful for the scrutiny the Comptroller General gave this matter. I am disappointed, however, that he did not see fit to recommend legislation which would clarify the requirements which should be followed in open-end awards of this type. I do believe that the executive branch, the responsible congressional committees, and all of us who are charged with the care of the taxpayers' dollar, have a solemn obligation to further examine similar situations.

I do not know whether the public interest is served in the award of this contract. I hope it is. I do know that the Comptroller General portrays a history of this transaction that is difficult for me to understand.

My concern in this governmental contract, as in every governmental transaction, is the protection of the interest of the American people. In an award, the lowest responsible bidder should prevail. Of course, there is the important element of judgment by the public servant involved in the ward. But when so-called policy considerations overturn what appear to be unassailable facts on who can do the job the cheapest, those policy considerations ought to be fully and completely disclosed. And except where the national security is a factor, the public's business ought always to be performed in full public view.

I am not prepared to accept the Comptroller General's conclusion that in the field of the National Science Foundation's procurement policy, no legislative changes are indicated. This problem, in my view, requires considerable careful study by the Congress, and particularly by the Senate Committees on Government Operations and Labor and Public Welfare, which have jurisdiction over the work of the National Science Foundation. We seek to serve the public inter-

est, not the interests of the selfish few, no matter how politically powerful they may appear to be.

Madam President, I ask unanimous consent to have printed at this point in the Record the text of the June 18 letter from the Comptroller General to me; the text of my letter in regard to this matter, dated March 20, and addressed to the Director of the National Science Foundation; the text of my March 30 letter to the Comptroller General; as well as newspaper articles on this matter from the March 18, March 22, April 1, April 3, May 11, and May 18 issues of the Los Angeles Times.

There being no objection, the letters and the articles were ordered to be printed in the Record, as follows:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, June 18, 1962.

Hon. THOMAS H. KUCHEL,
U.S. Senate.

DEAR SENATOR KUCHEL: Pursuant to your request dated March 30, 1962, we have reviewed the award of letter contract NSF–C260 to Brown & Root, Inc., by the National Science Foundation for phase II of the deep crustal studies of the earth—commonly referred to as the Mohole project. You requested our opinion as to what Federal statutes governed the award of the contract; whether the statutes were followed; and since there was no competitive bidding, what recommendations, if any, we could suggest for improvements to the law which would serve the public interest more efficiently. You also requested our views relating to the administrative procedures followed by the National Science Foundation in the award of the contract, including the soundness of the qualitative standards used and whether such standards were adhered to in light of the award.

Our comments and conclusions relating to these matters follow:

Letter contract: The letter contract between the National Science Foundation and Brown & Root, Inc., dated March 16, 1962, is an agreement to negotiate a definitive cost-plus-a-fixed-fee contract for the furnishing of the services, material, facilities, and all work necessary for the drilling, sampling, and logging of a hole through the crust of the earth. The contract provides for Brown & Root to proceed immediately with the preparation of an engineering plan, detailed cost estimates, and recommendations relating to the various scientific and engineering aspects of the project. The contract further provides for the execution of a definitive contract by June 20, 1962, at which time the letter contract will terminate, unless extended by the Foundation. Expenditures or obligations of Brown & Root under the letter contract are limited to $1.2 million, except that the limitation may be increased by the Foundation upon request by the contractor.

We were informed by contract officials of the Foundation that negotiations with Brown & Root were proceeding toward the award of a definitive contract and that the negotiations have resulted in a tentative understanding for a fixed fee of $1.8 million based on a project duration of about 5 years and ultimate project costs of about $43.6 million.

Contracting authority: The letter contract was made pursuant to authority contained in the National Science Foundation Act of 1950, as amended (42 U.S.C. 1861–81). Section 3 of the act authorizes and directs the Foundation, among other things, "to initiate and support basic scientific research and programs to strengthen scientific research potential in the mathematical, physical, medical, biological, engineering, and other sciences, by making contracts * * * to support such scientific activities * * *." Section 11 of the act further authorizes the Foundation, within the limitations of available appropriations, to do all things necessary to carry out the provisions of the act, including specifically the authority, when deemed appropriate, to enter into contracts for carrying on basic research activities without legal consideration, performance or other bonds, and formal advertising.

Contractor selection procedures: The selection of the contractor began on July 27, 1961, when the Foundation issued an invitation to submit proposal for phase II of Mohole project. The invitation requested that prospective contractors submit proposals for the management of the entire project including the providing of necessary services, facilities, material, and equipment. The invitation further stated that:

"Proposals will be evaluated on the basis of engineering approach, skills, experience, and your independent appraisals as to how you would manage the entire program. * * * Your submission showing your comprehension of and

response to the problem, the feasibility of your approach, and your demonstrated capabilities will be among the key factors in selections of the prime contractor."

In addition to the management proposal, prospective contractors were requested to submit supplemental information relating, among other things, to their experience in the field of experimental projects, the qualifications of staff members that would be assigned to the project, the organization's experience in marine operations, the availability of facilities required for the project, and the rate of fixed and overhead fees that would be charged to the contract. Prospective contractors were specifically advised, however, that "cost estimates are not required to be submitted in response to this invitation." We were informed by officials of the Foundation that a research engineering and development undertaking of the nature of the Mohole project involves many engineering and scientific problems for which the solutions are yet unknown and that decisions relating to such things as the location of the drilling site, type of drilling ship or platform required, and design of drilling equipment were not to be made until the contractor had analyzed all research, development, and scientific data related to the project, prepared an engineering plan, and made related cost studies. For these reasons, the Foundation believed that cost estimates with the initial proposals would not be meaningful as a factor for evaluation of the proposals.

Five broad categories of criteria for the evaluation of proposals were approved by the Director of the National Science Foundation with weights and points assigned to each as follows:

	Weight	Points
	Percent	
1. Financial capability	8	80
2. Comprehension and soundness of approach	8	80
3. Management and policy considerations	39	390
4. Support facilities available or readily obtainable	14	140
5. Technical and scientific experience and capability	31	310
Total	100	1,000

Each of the five categories comprised two or more subfactors which in the case of categories 3, 4, and 5, were assigned individual weights and points. The weighing of the criteria by the Foundation placed primary emphasis on management and policy considerations and on the technical and scientific experience and capability of the organizations submitting proposals. The management and policy considerations factor included as subfactors (1) the general standing and reputation of top-level management within the industry, (2) the priority to be given the project within the organization, (3) the demonstrated use of sophisticated management techniques, and (4) the grasp of organizational problems. The technical and scientific experience and capability factor covered fields such as ship construction and operations, geophypsical instrumentation and exploration, design of drilling equipment, and hardrock and offshore drilling.

A preliminary evaluation panel, consisting of 6 programs and administrative staff members of the Foundation, was appointed by the Director to review and evaluate the 12 proposals received in response to the Foundation's invitation of July 27, 1961. The panel, on the basis of its review and evaluation of the 12 proposals using the above criteria, rated the proposals in the following order:

	Score
1. Socony Mobil Oil Co	936
2. Global-Aerojet-Shell Marine Co. (a joint venture)	902
3. Zapata Off-Shore Co	812
4. General Electric Co	811
5. Brown & Root, Inc	801
6. University of California	787
7. Melpar, Inc	780
8. Litten Systems, Inc	780
9. System Development Corp	756
10. Battelle Memorial Institute	753
11. National Engineering Science Co	729
12. John W. Mecom Co. and Levinson Steel Co. (proposal not responsive)	-----

In its evaluation report, the panel stated that the proposal of Socony Mobil was in a class by itself—outstanding as to every important aspect, and that the proposal of Global-Aerojet-Shell was in a strong second position. Below these two proposals, the panel found no apparent clear-cut order and recommended that preliminary negotiations toward award of a contract be started first with Socony Mobil and, if unsuccessful, then with Global-Aerojet-Shell. The panel also recommended that, if one of the first two organizations was not selected, the remaining nine be further considered.

Following the preliminary evaluation, the Director appointed a review panel of four senior officials of the Foundation to make a further evaluation and review the work of the preliminary evaluation panel. The review panel also found the Socony Mobil proposal to be the best of the 12 proposals received. In a joint report, the two panels stated that they unanimously selected the proposal of Socony Mobil as their first choice and agreed that the proposals of Brown & Root, General Electric, Global-Aerojet-Shell, and Zapata stood out over the others. The two panels recommended that further discussions be held with these five top-rated organizations and that declination letters be sent to the remaining seven.

In December 1961, the five top-rated organizations were requested to meet individually with the Foundation during the month of January 1962 to discuss more fully their proposals. The remaining seven organizations were notified that they were eliminated from further consideration as a prime contractor for the Mohole project. Following the conferences with the five organizations, the preliminary evaluation panel reevaluated the proposals and gave them numerical scores as follows:

	Score
1. Global-Aerojet-Shell Marine Co. (a joint venture)	968
2. Socony Mobile Oil Co	964
3. Brown & Root, Inc	890
4. Zapata Off-Shore Co	890
5. General Electric Co	846

The preliminary evaluation panel noted that the Global-Aerojet-Shell and Socony Mobil organizations, rating substantially higher than the other three, appeared about equal in their general capability to undertake the project and that the Brown & Root organization, while not possessing as much inhouse capability in the necessary skills for the project as the two top-rated organizations, had an impressive record of major engineering undertakings, particularly marine engineering. The panel recommended that Zapata and General Electric be eliminated from further consideration and that arrangements be made to visit the remaining three organizations to obtain additional information for making a final evaluation. The review panel, having participated in the discussions with the five organizations and having reviewed the preliminary evaluation panel's report, concurred in the recommendations of the preliminary evaluation panel.

After visits by three members of the two panels to the offices of the three organizations remaining under consideration—Brown & Root, Inc., Shell Oil Co., and Socony Mobil Oil Co.—the panels met and made a final evaluation. The panels, in a joint report, stated that all three organizations were "competent to effectively complete the Mohole project" but made no recommendation as to the one which should be selected because of the panels' inability to reconcile completely the varying views of the individual panel members. The final evaluation comprised an analysis of the information considered pertinent to the selection of a contractor as obtained from (1) the preliminary evaluation of the organizations' original proposals, (2) the meetings with the organizations at the National Science Foundation, (3) the visits to the offices of the organizations, and (4) discussions among responsible personnel of the Foundation, using the following criteria:

Competence factors:

1. Ability to bring project to a successful conclusion.
2. Overall management ability.
3. Engineering and operations know-how.
4. Marine design and engineering, and offshore drilling experience.
5. Research capability and attitude.
6. Comparative starting abilities.
7. Facility of dealing with the contractor and monitoring contractor operations.
8. Cost considerations.

Policy factors:
1. Patent and data disclosure considerations.
2. Size and economic impact of team.
3. International considerations.
4. Make or buy.
5. Petroleum producer versus engineering construction company.
6. Consequences of selection considerations.

The report further stated that members of the panels, weighing the competence and policy factors in accordance with each member's own views, were equally divided between the selection of Brown & Root and one of the oil companies, with Global-Aerojet-Shell favored if an oil company was to be selected.

The record indicates that the Director of the National Science Foundation, under the authority delegated to him by the National Science Board, awarded the contract to Brown & Root, Inc., "as the best qualified, based on (1) Brown & Root's strong management capabilities, (2) demonstrated capability in successfully completing complex projects, (3) their experience in dealing with the oil industry and other industries with capabilities that could be used in Mohole, (4) and the conclusion that the plan it has presented for going ahead with the work will give the Government the best approach to achieve the scientific and engineering goals."

Cost considerations: As requested by the Foundation in the proposal invitation, prospective contractors limited the cost information submitted with their original proposals to a general statement of policy relating to the management fee and overhead rates that would apply to the project. The proposal of Brown & Root provided for overhead costs of between 3 and 5 percent and a management fee on both prime and subcontract costs. The proposals of Global-Aerojet-Shell and Socony Mobile differed from that of Brown & Root in that no overhead surcharge would be added to subcontract costs and no fee would be charged for management of the project.

During the course of discussions with the organizations in January 1962, the Foundation requested additional information relating to their costing methods and types of overhead which would be added to direct costs. Also, the organizations were requested to estimate the cost and time required to carry the project through the initial penetration of the mantle beneath the earth's crust. Global-Aerojet-Shell estimated a cost of $23 million and a time requirement of 33–45 months, Brown & Root estimated $35 million and 5 years, and Socony Mobil estimated $44 million and about 5 years. The estimates were based on each organization's own concept of the project and on assumptions relating to such matters as site selection, type of vessel or platform to be utilized in the drilling operation, and drilling techniques.

The cost information—fees, overhead, and costing methods—was not a major factor in the Foundation's evaluation of the proposals. The record indicates that the evaluation panels weighed the relative advantages of the no fee, no surcharge on subcontract costs proposals of Global-Aerojet-Shell and Socony Mobil against the fee, surcharge proposal of Brown & Root but that they did not indicate any preference between the three proposals.

Conclusions: Since it is doubtful that meaningful estimates of costs could have been developed for a research project such as Mohole, we do not believe that it would have been practicable for the Foundation to have followed competitive bidding procedures, with award based upon consideration of price as the major factor. The Foundation therefore was clearly within its statutory authority in awarding the contract by negotiations rather than by competitive bidding under formal advertising procedures.

Our review of the evaluation criteria, reports, and related analyses of the proposals by the two evaluation panels in their first and second evaluations of the proposals disclosed that the criteria and weights used by the Foundation in determining the qualifications of bidders were comparable to those used by other Government agencies (e.g., Army Ordnance Corps and the Atomic Energy Commission) in selecting contractors for research and development projects when the primary emphasis is on the managerial and techical qualifications of prospective contractors. We believe that such criteria and weights are basically sound and proper for application in a procurement of this nature. However, because of the scientific, technical, and engineering judgments necessarily involved in such application, we are unable to state whether the criteria were adequately applied in evaluating the proposals.

With respect to those policy factors set forth on page 6, which were not included in the point evaluation but were considered in the final evaluation, it would appear that the questions presented by these factors represent matters properly for consideration under the circumstances involved in this procurement. While the records are not as clear as might be desired on this point, it would appear that any advantage Global-Aerojet-Shell and Socony Mobil may have held over Brown & Root in the factors previously considered in the point evaluation was offset by policy determinations favoring Brown & Root. Policy determinations necessarily involve questions of judgment within the sound discretion of the contracting agency, and in the absence of evidence that such determinations were arbitrary or capricious, this office will not attempt to substitute its judgment for that of the contracting agency. Our review indicates that the policy factors were considered in considerable detail by the panels in their final evaluation, and that these factors were also considered by the Director prior to his determination to award the contract to Brown & Root.

In view of the foregoing, we are unable to conclude that the award to Brown & Root was not in the public interest. Further, we do not believe that our review has disclosed evidence of abuse or misuse of the Foundation's contracting authority which would require or justify recommendations for legislation placing additional requirements or restrictions on the procurement functions of the Foundation.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
March 20, 1962.

Dr. ALAN T. WATERMAN,
Director, National Science Foundation,
Washington, D.C.

DEAR DR. WATERMAN: I have read with interest the story which appeared in the Los Angeles Times on March 18, 1962, regarding the announcement by the National Science Foundation that a preliminary contract has been signed for the second phase of Project Mohole.

Project Mohole, which seeks to provide us with vital new information about the structure of our planet, has held a particular fascination for me. This project, which began off the coast of California and whose first phase was successfully completed by a Los Angeles firm almost a year ago, will certainly be of great value in providing our earth scientists with many new insights into the nature of the earth. I shall watch the development of the second phase for which you have now announced the award of a preliminary contract to Brown & Root, Inc., of Houston, Tex., with great interest.

I am deeply disturbed, however, by the Foundation's refusal to divulge the cost estimates supplied by the three finalists for this contract. I am fully aware, as reported by the Times, that other considerations besides those of cost were paramount in your final decision. However, since this is a nonmilitary project which I assume does not involve our national security, I respectfully request that you supply me with the actual cost estimates furnished to you by the three final competitors for the second phase of Project Mohole. I would also be grateful to know on what grounds this information has been denied to the public through the press.

With kindest regards.

Sincerely yours,

THOMAS H. KUCHEL, *U.S. Senator.*

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
March 30, 1962.

Hon. JOSEPH CAMPBELL,
Comptroller General of the United States, General Accounting Office, Washington, D.C.

DEAR MR. CAMPBELL: I am most grateful that you have arranged to have members of your able staff inquire into the recent award by the National Science Foundation for the second phase of Project Mohole.

After your scrutiny of this matter, I would be pleased to have your opinion as to what Federal statutes apply to the award of this contract by the National Science Foundation, and whether those statutes were followed. Since there was no competitive bidding and since this contract will apparently amount to somewhere between $35 and $50 million, your recommendations will be welcome as to what, if any improvements in the law might be enacted to serve the public interest more efficiently.

In addition, I should like to know your views on whether the administrative procedure used by the National Science Foundation in the award of this contract were adequate to protect the public interest. For example, were the qualitative standards designed to pass judgment on the diverse proposals submitted sound? Were these standards followed in light of the final award made by the Foundation?

As I noted in a letter of March 20 to Dr. Waterman, I was disturbed at the Foundation's refusal to divulge the cost estimates and relevant information supplied by the three finalists for this contract. The intelligent inquiry of the public press is essential in a democracy. To deny pertinent data, especially on a nonmilitary project where national security is not involved, violates our deepest American traditions. The people are entitled to know how public business is transacted.

With kindest regards.

Sincerely yours,

THOMAS H. KUCHEL, *U.S. Senator.*

[From the Los Angeles Times, Mar. 22, 1962]

KUCHEL DEMANDS DETAILS ON AWARD OF MOHOLE JOB TO TEXAS CONCERN

(By John Averill, Times Washington bureau)

WASHINGTON.—Senator Kuchel, Republican, of California, called Wednesday for replies to some unanswered questions involving the National Science Foundation's award of the Project Mohole contract to a Texas firm.

Kuchel asked Dr. Alan T. Waterman, the NSF director, for cost estimates furnished by the three final competitors for the spectacular project which involves drilling a hole through the ocean floor in an attempt to unlock secrets of the earth's birth.

The first phase of the project was carried out off the California cost by a Los Angeles firm.

In a letter to Waterman, the Senator said he was "deeply disturbed" by the Foundation's refusal to divulge cost estimates from the competing organizations.

"I would also be grateful to know on what grounds this information has been denied to the public through the press," Kuchel wrote.

As reported by the Times last Sunday, the NSF signed a preliminary contract for the second and final phase of the Mohole project with Brown & Root, Inc., a huge engineering and contracting firm in Houston. The preliminary award was $1.2 million but a formal contract expected to total between $35 million and $50 million will be signed in approximately 90 days, the NSF said.

One of the two losers in the decision to give the contract to Brown & Root was an industrial scientific team headed by the Global Marine Drilling Co. of Los Angeles. NSF said this team "successfully completed" pioneer work in Pacific waters last April.

It was the second time in recent months that Brown & Root had plucked a major Government project from another State where it apparently had been proceeding satisfactorily.

When queried by the Times about its decision in awarding the contract, NSF officials flatly refused to disclose cost estimates from the competing organizations. They said cost was not a determining factor since the Mohole project involves so many unknowns it would be almost impossible to estimate expenses accurately.

The deciding factor, they said, was the NSF's evaluation of which contestant could do the best job. While describing the decision as "very difficult," Foundation officers said they felt Brown & Root was best equipped.

Kuchel, in his leter to Waterman, said:

"Project Mohole, which seeks to provide us with vital new information about the structure of our planet, has held a particular fascination for me.

"This project, which began off the coast of California and whose first phase was successfully completed by a Los Angeles firm almost a year ago, will certainly be of great value in providing our earth scientists with many new insights into the nature of the earth.

"I shall watch the development of the second phase for which you have now announced the award of a preliminary contract to Brown & Root, Inc., of Houston, Tex., with great interest.

"I am deeply disturbed, however, by the foundation's refusal to divulge the cost estimates supplied by the three finalists for this contract.

"I am fully aware, as reported by the Times, that other considerations besides those of cost were paramount in your final decisions. However, since this is a nonmilitary project which I assume does not involve our national security, I respectfully request that you supply me with the actual cost estimates furnished to you by the three final competitors for the second phase of Project Mohole. I would also be grateful to know on what grounds this information has been denied to the public through the press."

Meanwhile, the House Government Information Subcommittee also moved to obtain the same information. The subcommittee, which has long campaigned for a freer public access to governmental information, said it will ask the NSF to supply it with details of Mohole project award.

[From the Los Angeles Times, Apr. 1, 1962]

U.S. INVESTIGATES MOHOLE CONTRACT—ACCOUNTING OFFICE EYES AWARD OF DRILL JOB TO TEXAS COMPANY

(By John H. Averill)

WASHINGTON.—Senator Kuchel, Republican, of California, disclosed Saturday that Government auditors are investigating the award of the Project Mohole contract to a big Texas engineering and construction firm.

Kuchel disclosed this in making public a letter to Joseph Campbell, U.S. Comptroller General and head of the General Accounting Office. The GAO, the auditing agency of Congress, is conducting the investigation. Kuchel's letter was to thank Campbell for agreeing to undertake the inquiry.

The investigation is an outgrowth of a demand by Kuchel on March 20 that the National Science Foundation provide information on the awarding of the contract for the second phase of Project Mohole to Brown & Root, Inc., of Houston, Tex.

IN EARTH'S CRUST

The project, which NSF estimates will cost the Government $35 to $50 million before it is finished, calls for drilling a hole through the ocean floor at a deep sea site and penetrating the earth's crust in an effort to find clues to the earth's origin.

The first phase of the project was carried out off the the California coast by a Los Angeles firm which lost to Brown & Root in competing for the second phase contract award.

In response to Kuchel's request, NSF officials submitted some documents to him during the past week. Kuchel had GAO investigators examine the papers. He said later that "in the opinion of the Comptroller General the documents were inadequate and insufficient" to explain the basis on which the NSF awarded the contract to Brown & Root.

DISCLOSURE REFUSED

Kuchel entered the case after the Times reported on March 18 that the NSF had refused to disclose the cost estimates submitted by Brown & Root and the competitors seeking the second phase contract.

Denouncing this refusal, Kuchel said in his letter to Campbell:

"The intelligent inquiry of the public press is essential in a democracy. To deny pertinent data, especially on a nonmilitary project where national security is not involved, violates our deepest American traditions. The people are entitled to know how public business is transacted."

Kuchel thanked the Comptroller General for agreeing to look into the case and asked him to determine whether Federal laws that might apply to the contract award were observed.

OPINION ASKED

"After your scrutiny of this matter," Kuchel wrote Campbell, "I would be pleased to have your opinion as to what Federal statutes apply to the award of this contract by the National Science Foundation and whether those statutes were followed."

Kuchel told the Times that that Campbell had informed him GAO investigators intend to make a thorough examination of NSF files dealing with the Mohole contract.

[From the Los Angeles Times, Apr. 3, 1962]

MOHOLE CONTRACT DETAILS ASKED OF FOUNDATION—MOSS ASKS NATIONAL SCIENCE ORGANIZATION TO CITE AUTHORITY FOR SECRECY ABOUT COSTS

WASHINGTON.—Representative John Moss, Democrat, of Sacramento, demanded Saturday that the National Science Foundation explain how and why it has withheld information about the huge Project Mohole contract, which has been awarded to a big Texas engineering and construction company.

Moss, chairman of the House Special Government Information Subcommittee, sent a letter to Dr. Alan T. Waterman, director of the foundation, asking him to cite the statutory authority under which the foundation has refused to divulge cost estimates submitted for phase two of Project Mohole.

At a cost of between $35 and $50 million, Project Mohole is to drill a hole through the ocean's floor to penetrate the earth's crust and learn previously unknown facts about the origin of the earth.

KUCHEL HEARD FROM

The contract for phase two of the project was awarded to Brown & Root, Inc., of Houston, Tex., instead of to the Los Angeles firm that conducted phase one of the project off the California coast.

Senator Kuchel, Republican, of California, asked the Foundation on March 20 to provide him with information about the contract. Last week Kuchel disclosed that the General Accounting Office is investigating the matter.

Moss noted in his letter to Waterman that his subcommittee had been informed "that tentative cost estimates submitted by firms involved in negotiation of contracts for phase two of the Mohole project are not available to the public." He said that he had been informed that the figures might be "susceptible to gross misinterpretation should they be taken out of context and made public."

MOSS LETTER QUOTED

Moss wrote: "Certainly the difficulty of producing clear explanations of the cost of scientific thrusts into the unknown areas of space and the sea is clearly understood.

"At the same time it remains the responsibility of those entrusted with Government business to make every possible effort to lay the facts before the people who are called upon, time and again, to pay the bills for our scientific ventures."

[From the Los Angeles Times, May 11, 1962]

CONGRESS PROBERS PRESS FOR MOHOLE COST DATA—RENEW THEIR DEMAND THAT FOUNDATION REVEAL FIGURES USED FOR CONTRACT

WASHINGTON.—Congressional investigators renewed demands Thursday that the National Science Foundation make public the cost estimates involved in the award of a contract to dig a hole in the ocean floor.

Chairman John E. Moss, Democrat, of California, of the House Government Information Subcommittee, made the demand after the Foundation rejected his request for cost information used in awarding the contract for the second phase of Project Mohole to Brown & Root, Inc., of Houston.

Moss first demanded the information after the Times reported on March 18 that the NSF had refused to disclose cost estimates submitted by Brown & Root and two other competitors, including a California combine, seeking the Mohole contract. The Foundation said the project involves so many unknowns that cost estimates were no more than rough guesses.

SEEK EARTH'S ORIGIN

The project, which the NSF roughly estimates will cost the Government anywhere from $35 to $50 million, calls for drilling a hole in the ocean floor at a deep site in an effort to find clues to the earth's origin.

Replying to Moss earlier this month, NSF Director Alan T. Waterman said, "In only two or three instances were any figures given in writing and these were not in any way part of the proposals submitted."

In light of this, Waterman said "it does not appear appropriate to publicly disclose" the cost estimates.

Moss emphatically disagreed. In a reply to Waterman, made public Thursday, the Sacramento Congressman said:

"I am fully aware of the difficulty of estimating costs for scientific thrusts into the unknown. I also am aware that the National Science Foundation, as a responsible Government agency, must have a general idea of how many millions of tax dollars will be spent drilling a hole in the ocean floor."

TAXPAYERS' RIGHT

Moss added that the Foundation "would be derelict in its responsibility if a general idea of the cost of the project were not developed." And he said the taxpayers "who will finance the project have a need and a right to know what the responsible bidders thought the Mohole project might cost."

To back up his demand, Moss asked the Foundation to cite the statutory authority under which it might justify its withholding the information. He had made such a request in his first letter but Waterman didn't supply it.

[From the Los Angeles Times, May 18, 1962]

MOHOLE CONTRACT FIRM GETS AIDS FROM RIVALS—NEW COMPANY RETAINED AS CONSULTANT IN SECOND PHASE OF UNDERSEA PROJECT

WASHINGTON.—The big Texas engineering firm that overcame two competitors in snagging a prestigious Government contract for the second phase of Project Mohole is rounding up technical talent from its vanquished competition.

This new development in the continuing controversy over the Mohole contract came to light Thursday with formation of a new Washington corporation to engage in deep-sea engineering.

The new concern, known as Ocean Science & Engineering, Inc., reported it has been retained by Brown & Root, Inc., of Houston, to serve as consultants on the Mohole project.

President of the new firm is Willard Bascom, who was director of the first phase of Project Mohole. That phase was completed last year, much of it in the waters off southern California.

REVOLUTIONARY PROJECT

Project Mohole is a revolutionary scientific program being carried out by the National Science Foundation to dig a hole through the floor of the ocean in an effort to penetrate the earth's outer crust. The aim is to unlock some of the secrets of the earth's origin and scientists believe this can be best accomplished from some deep-sea site where the crust is thinner than on land.

As director of phase 1 of the project, Bascom worked with the Global Marine Drilling Co., of Los Angeles, which had been hired by the National Science Foundation to carry out the first phase. After successfully completing its pioneer borings through the ocean floor, Global Marine organized an industrial scientific team to compete for the phase 2 contract. According to reliable reports, Bascom again would have directed the work for Global Marine.

CONTRACT AWARDED

However, NFS awarded the contract to Brown & Root, most of whose marine drilling experience has been in the relatively shallow waters of the Gulf of Mexico.

Questioned about his arrangement with Brown & Root, Bascom said he personally is not involved but that "five of our people are down at Brown & Root headquarters in Houston." He said they are serving on a day-to-day basis as consultants and advisers.

Although NSF officials have contended they regarded Brown & Root as the best qualified concern to carry out phase 2, Bascom said:

"They need all the help they can get, believe me."

He said that he is hopeful of obtaining a subcontract from Brown & Root to participate in the second phase of the project.

MEETING WITH MEMBERS OF FOUNDATION

Senator ALLOTT. Now, in December 1961 the five top-rated organizations were requested to meet individuals of the Foundation during the month of January to discuss more fully their proposals. Did you meet?

Mr. WATERMAN. Such meetings were held; yes.

Senator ALLOTT. The remaining seven organizations were notified that they were eliminated. Were they so notified?

Mr. WATERMAN. Yes.

Senator ALLOTT. And following a conference with the five organizations, a preliminary evaluation evaluated the proposals and gave them numerical scores as follows: Global-Aerojet, 968; Socony-Mobil, 964; Brown & Root, 890; Zapata, 890; General Electric, 846.

Is that information correct?

Mr. WATERMAN. There is a typographical error there. According to our records, Brown & Root should be 899. I think it is purely typographical.

Senator ALLOTT. I am reading from the Congressional Record, from the original Congressional Record.

Mr. WATERMAN. That is what I mean; I think the error was in that. Our records show that it is 899.

Is that right?

Mr. SCHERER. That is correct.

Senator ALLOTT. 899 for Brown & Root.

But still Brown & Root was in third place?

Mr. WATERMAN. Yes, sir.

PRIORITY DECISION

Senator ALLOTT. Now, subsequent to that someone made a decision to put Brown & Root in first place. Who made that decision?

Mr. SCHERER. May we indicate an intermediate step that was taken?

A group of three individuals investigated each of the three remaining teams.

Senator ALLOTT. And that was subsequent to the evaluation I have just given?

Mr. SCHERER. Yes.

Senator ALLOTT. Who was the group of three?

Mr. SCHERER. Mr. Sheppard, Executive Assistant to the Director; Dr. Benson, the program director for the earth sciences; and Mr. Barron, the head of the grants and contract section.

Senator ALLOTT. Now, would you supply for the record at this point the names and the last occupation before they were with you of all of the people who participated in these evaluations?

Mr. SCHERER. Yes, sir.

(The information referred to follows:)

NATIONAL SCIENCE FOUNDATION,
Washington, D.C., August 24, 1961.

BIOGRAPHICAL SKETCH OF DR. ALAN T. WATERMAN, DIRECTOR, NATIONAL SCIENCE FOUNDATION

Alan T. Waterman was appointed Director of the National Science Foundation by the President of the United States on April 6, 1951. He came to his new post from the Department of the Navy, where he had been Deputy Chief and Chief Scientist in the Office of Naval Research from 1946 to 1951.

During World War II, Dr. Waterman was associated with the Office of Scientific Research and Development, wartime research agency, headed by Vannevar Bush. He served first as Vice Chairman of Division D (Detection, Controls, Instruments) of the National Defense Research Committee and as assistant to Karl T. Compton, member, National Defense Research Committee. From 1943 to 1945, he was Deputy Chief and later Chief of the Office of Field Service, which was set up to coordinate the services made available by the OSRD and its contractors to the Armed Forces in the field.

Dr. Waterman did both his graduate and undergraduate work at Princeton, receiving the degree of Ph. D. in physics in 1916. His research has included investigations in the field of conduction of electricity through solids, thermionic, photoelectric emission and allied effects, and electrical properties of solids. After receiving his degree, he became an instructor in physics at the University of Cincinnati. In World War I, he saw 2 years of military service (private to first lieutenant) with the Science and Research Division of the Army Signal Corps, where he was engaged in meteorological work. At the close of the war, he joined the faculty of Yale University and remained in the department of physics there until 1942. During his tenure at Yale, Dr. Waterman was on leave of absence three times: in 1927–28 on a National Research Fellowship to King's College, London, England; in 1937 to the Massachusetts Institute of Technology; and in 1942–46 to the OSRD.

Doctor Waterman holds the honorary degree of doctor of science from: Tufts College, Northeastern University, the University of Arizona, Bowdoin College, the University of Akron, University of Southern California, Norwich University, the University of Notre Dame; the honorary degree of doctor of laws from: Cornell College, Mount Vernon, Iowa; American University, the University of Chattanooga, the University of Michigan, the University of Cincinnati, and the University of California, Berkeley.

For his war work with the Office of Scientific Research and Development, he was awarded the Medal for Merit in 1948. On June 14, 1952, the class of 1913, Princeton University, awarded its Class Memorial Cup to Alan T. Waterman "in recognition of his meritorious and outstanding service to his profession and his country." The first annual Captain Robert Dexter Conrad Award, established by the Office of Naval Research in recognition of outstanding technical and scientific achievements in research and development for the Navy, was conferred upon Dr. Waterman on March 19, 1957.

The National Academy of Sciences awarded its Public Welfare Medal to Dr. Waterman in 1960 for "eminence in the application of science to the public welfare." The award is unique in that it is given for outstanding public services in the uses of science rather than for achievement in any particular scientific discipline. The Proctor Prize, awarded annually by the Scientific Research Society of America for outstanding contributions to research or research administration, was also given to him in 1960.

Dr. Waterman received the annual Midwest Research Institute citation on May 1, 1961, for his leadership and direction of the National Science Foundation in basic research and scientific education.

He is a fellow of the American Association for the Advancement of Science, the American Physical Society, and the New York Academy of Sciences. He is a member of the American Association of Physics Teachers, the American Association of University Professors, the American Institute of Electrical Engineers, the American Rocket Society, the American Polar Society, the Washington Academy of Sciences, the Washington Academy of Medicine, Phi Beta Kappa, Sigma Xi, the Scientific Research Society of America, and the Washington Philosophical Society.

In his capacity as Director of the National Science Foundation, Dr. Waterman is a member of the Federal Council for Science and Technology, the Distinguished Civilian Service Awards Board, the Defense Science Board of the Department of Defense, the Committee on Specialized Personnel of the Office of Defense Mobilization, and is a Consultant to the President's Science Advisory Committee.

Dr. Waterman is a member of the Board of Trustees of Atoms for Peace Awards and of the Board of Directors of the American Association for the Advancement of Science.

He was born June 4, 1892, in Cornwall-on-Hudson, N.Y. He is married to the former Mary M. Mallon. The Watermans have three sons, Alan T., Neil J., and Guy V., and two daughters, Barbara (Mrs. Joseph C. Carney) and Anne (Mrs. W. C. Cooley). Dr. and Mrs. Waterman live at 5306 Carvel Road, Westmoreland Hills, Washington 16, D.C. Their legal residence is Maryland.

Dr. Waterman is a member of the Cosmos Club, Washington, D.C., and the Graduates Club, Yale University, New Haven, Conn.

BIOGRAPHICAL SKETCH OF ASSOCIATE DIRECTOR (RESEARCH), NATIONAL SCIENCE FOUNDATION

Randal M. Robertson was appointed Associate Director (Research) in the Foundation on November 12, 1961.

Dr. Robertson, a physicist, was born in Tampa, Fla. He received his M.A. degree in mathematics and natural philosophy from the University of Glasgow in 1932, and his Ph. D. in physics from the Massachusetts Institute of Technology in 1936. He taught briefly at both institutions before serving as a research assistant at Columbia University during 1936–37. From 1937–42 he was a research associate with the Norton Co. in Worcester, Mass. During the period 1942–46 he was on the staff of the Radiation Laboratory at Massachusetts Institute of Technology. In 1946 he came to Washington as head of the Mechanics and Materials Branch of the Office of Naval Research. In 1948 he became Director of the Physical Sciences Division, and in 1952, Science Director.

Dr. Robertson is a fellow of the American Physical Society, and a member of the Washington Academy of Sciences and the Philosophical Society of Washington.

He has conducted research on arc cathode phenomena; nuclear magnetic moments; physics of solid materials, especially abrasives and refractories; and microwave linear array scanning antennas.

His residence is 6712 North Washington Boulevard, Arlington, Va.

BIOGRAPHICAL SKETCH OF PROF. SAMUEL SEELY

Seely, Prof. Samuel, Department of Electrical Engineering, Case Institute of Technology, Cleveland 6, Ohio. Physics, electrical engineering. New York, N.Y., May 7, 09; m. 51; c. 2. E.E., Polytech. Inst. Brooklyn, 31; Morton scholar & M.S., Stevens Inst. Tech, 32; Ph.D. (physics), Columbia, 36. Lectr. physics, Polytech. Inst. Brooklyn, 35; instr. & asst. prof. elec. eng, City Col, 36–46; assoc. prof. electronics, grad. sch, U.S. Naval Acad, 46–47; prof. elec. eng, Syracuse, 47–56, chmn. dept, 51–56; Prof, Case, 56–, head dept, 56–59. Mem. staff, radiation lab, Mass. Inst. Tech. 41–46; Fulbright lectr, Nat. Tech. Univ. Athens, Greece, 59–60. Civilian with Office Sci. Res. & Develop; res. & develop. bd, U.S. Dept. Defense, 50; consult, office chief signal officer, U.S. Army, 52–53. Phys. Soc; Soc. Eng. Ed; Inst. Radio Eng; Inst. Elec. Eng. Diamagnetism; nuclear physics; electronic circuits; microwave and longwave antennas.

American Men of Science & The Physical and Biological Sciences, tenth edition.

(Dr. Samuel Seely presently Head, Engineering Section, Mathematical, Physical and Engineering Sciences Division, National Science Foundation.)

BIOGRAPHICAL SKETCH OF MR. PAUL A. SCHERER, ASSOCIATE DIRECTOR (ADMINISTRATION), NATIONAL SCIENCE FOUNDATION

Paul A. Scherer was appointed Associate Director (Administration) in the Foundation on July 23, 1961. He had a short appointment as Special Consultant to the Director from April 3, 1961 to July 23, 1961. He came to his new post from Research-Corp., where he had been associate, February 1, 1960 to April, 1961. Prior to that time he held the following positions: President of the Hydrofoil Corp. 1951–60; executive officer, Carnegie Institution of Washington 1947–51; Chief, Engineering and Translation Office, National Defense Research Comm., O.S.R.D., Washington, 1943–46; director research Air Research Manufacturing Co., Los Angeles, 1940–43; consultant, North American Aviation, Inc., Dallas plant, 1940; construction engineer 1934–40; president of Freighters, Inc., San Francisco, 1933–34; assistant manager, Stewart Fruit Co., Medford, Oreg., 1923–26; director of the Oregon Growers Cooperative Association, Salem, Oreg., 1921–23.

Mr. Scherer was born in Zanesville, Ohio, July 25, 1897. He was educated at the California Institute of Technology; U.S. Navy, destroyer duty, 1917–20; married Margaret Hale, December 25, 1918.

He is a member of the American Association for the Advancement of Science (treasurer in 1954—); member of the Cosmos Club (president 1961).

Mr. Scherer's present address is Marietta, Bowie, Md.

BIOGRAPHICAL MATERIAL ON G. KELLER

Born New York City, June 12, 1918. B.S. (engineering), Swarthmore College, 1938. Physicist, Bureau of Ordnance, Navy Department, 1940–45. Ph. D (astronomy), Columbia University, 1948. Member of staff, Department of Physics and Astronomy, Ohio State University, 1948–59. Director, Perkins Observatory, 1953–59. National Science Foundation, 1957 to date. Program director for astronomy, 1957–61, with responsibility for the Foundation's programs for support of astronomical research at universities and nonprofit institutions in the United States, including the Kitt Peak National Observatory and the National Radio Astronomy Observatory. Assistant director for mathematical, physical, and engineering sciences, 1961 to date. Responsible for supervision of Foundation support of research in all these areas, including the national observatories and special programs such as Project Mohole.

BIOLOGICAL SKETCH OF WILLIAM E. BENSON

William E. Benson is program director for earth sciences of the National Science Foundation. Prior to coming to NSF, Dr. Benson was chief geologist of Manidon Mining, Inc., of North Dakota.

Dr. Benson served with the U.S. Geological Survey for 12 years, from 1942 to 1954, most recently as assistant chief and acting chief of the General Geology Branch. From 1942 to 1952 he worked as a geologist and did field research; later he administered the scientific research program. While with the Survey, he published the geologic map of southwest North Dakota.

He also served as executive secretary for the Division of Earth Sciences, National Research Council, from August 1954 to July 1955.

Dr. Benson received his B.A., M.S., and Ph. D. from Yale University. He is a fellow of the Geological Society of America and a member of the American Geophysical Union, the Geological Society of Washington, and the Association of Geology Teachers.

A native of West Haven, Conn., Dr. Benson now resides at 6113 Ninth Road, North, Arlington, Va., with his wife, Freda, and two children.

BRIEF BIOGRAPHICAL SKETCH OF RICHARD G. RAY

Born: July 15, 1920, North Adams, Mass.

Educated at William College, 1938–42, B.A., 1942; Brown University, 1942–43, So. M. 1943; the Johns Hopkins University, 1948–50; Ph. D. 1950.

Employment and experience: U.S. Geological Survey, May 1943 to January 1962. (Investigation of ore deposits, southern Alaska and Alaskan Panhandle; investigation of structure and stratigraphy, Naval Petroleum Reserve No. 4, northern Alaska; structure and stratigraphic studies of areas in Colorado Plateau.)

Service in U.S. Navy, 1944–46.

National Science Foundation, January 1962 to present physical science administration.

BIOGRAPHICAL INFORMATION ON ROY E. HANSON

Born: December 26, 1922, Grand Forks, N. Dak.

Married, three children.

Education:

Central High School, Grand Forks, N. Dak., 1934–40.

University of North Dakota (geology and mathematics), 1940–47, B.S. degree.

Graduate schools:

University of North Dakota, 1947 (geology).

State University of Iowa, 1947–48 (geology).

St. Louis University, 1950–52 (geophysics), Ph. D. degree.

USAF Meteorology School, Chanute AFB, and University of Michigan, 1943–44.

Principal experience:

1. From February 8, 1948, to April 1, 1949, as geologist with Shell Oil Co.

2. June 1949 to September 1950 as weather officer, U.S. Air Force, at Maxwell AFB, Ala.

3. August 1952 to August 1956 as research and development officer, Terrestrial Sciences Laboratory, Geophysics Directorate, Air Force Cambridge Research Center.

4. August 1956 to August 1958 as assistant chief, Atmospheric Physics Section, Geophysics Division, Headquarters, Air Research and Development Command, U.S. Air Force.

5. August 1958 to May 1959, scientific intelligence in the field of earth sciences.

6. May 1959 to present, earth sciences program, National Science Foundation. Present title: Associate program director (geophysics), earth sciences program, grade GS–15.

BIOGRAPHICAL SKETCH OF EXECUTIVE ASSISTANT TO THE DIRECTOR, NATIONAL SCIENCE FOUNDATION

Frank C. Sheppard was appointed executive assistant to the Director of the Foundation on September 4, 1960. He has been an employee of the Foundation since November 19, 1951, during which time he has filled several positions including budget officer, comptroller, and Deputy Assistant Director for Administration. Immediately after World War II he served as assistant personnel officer, Veterans' Administration regional office, Winston-Salem, N.C., and as special assistant to the manager. Just prior to joining the Foundation staff he was Assistant Chief, Budget and Planning Division, Department of Medicine and Surgery, Veterans' Administration central office. He was in the U.S. Navy through World War II serving in the Atlantic as an enlisted man and in the Pacific as commanding officer, U.S.S. LSM–225. He was born in Gillespie, Ill., March 25, 1917.

BIOGRAPHICAL SKETCH OF AARON ROSENTHAL

Aaron Rosenthal, Comptroller of the National Science Foundation, was formerly Director of Financial Management of the National Aeronautics and Space Administration.

Mr. Rosenthal joined NASA in 1960. Prior to that time he was with the Veterans' Administration, where he entered Federal service as a career intern and held successively responsible positions, including Director of Internal Audit, and finally a position similar to that which he occupies at the Foundation.

He has been awarded the Merit Citation of the National Civil Service League and the Veterans' Administration Exceptional Service Award, the VA's highest award.

A graduate of the College of the City of New York, he holds the degrees of B.A. and M.S. in education. He has been a guest lecturer on various aspects of financial management before many groups, including the Civil Service Commission Financial Management Institute, the Financial Management Roundtable, and the George Washington University graduate course in comptrollership.

Appointment of Mr. Rosenthal marked adoption by the Foundation of the comptrollership system of organization. The budget, finance, and internal audit functions are under his jurisdiction.

BIOGRAPHICAL SKETCH OF WILLIAM J. HOFF

William J. Hoff, General Counsel, National Science Foundation. Born June 28, 1907. B.A., Yale 1928, LL.B., Columbia University, 1931. Law clerk, Peaslee & Brigham, New York City, 1931–32. Admitted to practice, New York, 1932; assistant U.S. attorney for the southern district of New York 1932–33. Assistant counsel and acting director for Compliance Division, National Recovery Administration, 1933–35. Partner, Peaslee & Brigham, 1935–38. Assistant corporation counsel of city of New York, 1938–40. War Production Board, 1940–45, as Assistant General Counsel, 1943–45. Counsel with National Dairy Products Corp., New York, 1945–47. General Counsel of Foreign Liquidation Commission (Department of State), Paris and Washington, 1947–48. Associate General Counsel and director, technical assistance division and legislative counsel, Economic Cooperation Administration, 1948–51. Special assistant to the Administrator and Assistant Deputy Administrator, Defense Production Administration, 1951–53. General counsel of National Science Foundation since 1953. Member, Federal Bar Association and Association of the Bar of the City of New York.

BIOGRAPHICAL SKETCH OF PAUL A. BARRON

Title: Head, Grants and Contracts Office, National Science Foundation.

Background and experience:

1959–62: Grants and Contracts Office, National Science Foundation—in charge of review of technical aspects of grants and contracts.

1957–59: Director, Procurement and Business Services Division, GSA; Staff Director, Interagency Procurement Task Force for Review of Government Procurement Policies and Procedures, GSA.

1954–57: Chief Counsel, Personal Property Division, Office of General Counsel, GSA.

1949–54: Attorney, Contracts Division and Personal Property Division, OGC, GSA.

1948–49: Attorney, Chief Counsel's Office, Treasury Department, Bureau of Federal Supply.

1941–48: Various positions in War Department (as officer and civilian in Government legal and contracting), general Army service, president and general manager of shoe manufacturing company, general practice of law (Massachusetts), etc.

Some special professional attainments:

Member of Massachusetts bar.

Member of U.S. Supreme Court bar.

Editor-in-chief of Federal Bar Journal.

Reserve officer, U.S. Army (lieutenant colonel, JAGC): Specialized training—logistics and law.

Past chairman, Government Procurement Committee, Federal Bar Association.

Author and editor of numerous articles on Government contracts such as Government contracts section of the Federal Practice Manual.

Lecturer on Government contracts, from time to time: George Washington University; Louisville University Law School; Southern Methodist University; Department of Agriculture Graduate School; American University, etc.

Recipient of the Arthur Fleming Award for Outstanding Young Men in Government.

BIOGRAPHICAL SKETCH OF DAVID A. ABEL, CHIEF, CONTRACTS AND FACILITIES SECTION OF THE GRANTS AND CONTRACTS OFFICE

Mr. David A. Abel has been in the Government procurement, contracts and legal fields for the past 10 years, except for 3 years in private industry as contract administrator for one of the largest industrial organizations in the Washington, D.C., area.

In addition to an LL.B. from Columbia University and accounting background, he has been a member of the bar of the District Court for the District of Columbia and of the court of appeals since 1942 and 1943, respectively, and has engaged in part-time law practice.

He has received from each of the last two Government agency employers, Navy and the National Science Foundation, outstanding performance ratings and incentive cash awards in his field of Government procurement and contracting, and has supervised and managed many large-scale procurement actions.

As a contracting officer and negotiator at the Bureau of Naval Weapons (BuAer and BuOrd), he supervised and negotiated price and contract negotiations and administered individual airplane contracts with the largest industrial concerns such as Lockheed Aircraft Corp. and McDonnell Aircraft Corp. Individual contracts and pricing actions were in the $60 to $200 million bracket. He also negotiated Bureau of Ships contracts and was engaged in Navy in some of the most complex procurement awards. Among the most notable was his negotiation and working out the details with Lockheed of a contract involving a treaty with the Government of Japan; interchange of data, etc., by which the Government of Japan would be enabled to manufacture for defense purposes, certain aircraft developed by Lockheed. The contract covered the gamut of procurement actions and was in an amount exceeding $20 million although the combined Japanese and United States effort would exceed $40 million.

As contract administrator in industry from 1953 to 1956, he prepared procedures practices and negotiated and administered for Engineering and Research Corp. of ACF Industries more than 50 contracts with all Government agencies and was responsible for many of the business decisions in preparation of proposals and negotiation.

At the present time, as Chief of the Contracts and Facilities Branch of the Grants and Contracts Office, he supervises the contracting and procurement activities of the Foundation, which involves contracting in many varied types of procurement areas related to the scientific mission of the Foundation, has established many procurement and pricing procedures and management improvements and coordinates contracting problems with scientific and technical personnel of the agency and contractors.

BIOGRAPHICAL SKETCH OF G. A. GREENWOOD, CIVIL ENGINEER

Experience—Résumé.

September 1946 through October 1960: Civil engineer for the Bureau of Reclamation; Chief Engineer's Office, Denver, Colo., as a design engineer Commissioner's Office, Washington, D.C., in the area of contract policy and review for construction and major equipment.

November 1960 to date: Contract specialist for the National Science Foundation with contract administration of major research facilities as prime responsibility.

BIOGRAPHICAL SKETCH OF MR. PHILLIPS

Mr. Phillips was a journeyman contract negotiator for 4 years in the Department of the Navy (BUAER and BUWEPS) and was involved in pricing actings, procurement, and selection of contractors. His business judgment was em-

ployed in procurements with companies such as Lockheed, California division; Lockheed, Georgia division; Sikorsky Aircraft Division, United Aircraft Corp. in procurements involving sums up to $55 million. For a period of 2 years, Mr. Phillips also negotiated all of the overhead rates for Sikorsky. These rates were utilized by both the Air Force and the Army in their business transactions with Sikorsky. Mr. Phillips was also instrumental in initiating a review by a survey team (which included himself), consisting of most of the division directors of the Bureau of Aeronautics of Sikorsky's entire facility. As a result of recommendations made by this survey team, Sikorsky rearranged their production line, other plant facilities, and closed down certain other buildings. The effect of this rearrangement was a considerable reduction in the projected (and actual) overhead costs for Sikorsky contracts with the Government.

Mr. Phillips also was the program officer (for approximately 3 years) for all Government-furnished jet-engine accessories. While in this capacity he participated, as a voting member, on the Procurement Review Board for selection of contractors for related equipment. Mr. Phillips also participated on several preaward survey teams.

BIOGRAPHICAL SUMMARY, JOSEPH E. SCHURMAN, ATTORNEY, NATIONAL SCIENCE FOUNDATION

Born: January 5, 1924, New York, N.Y. Cornell University 1941–43, 1946; U.S. Army 1943–46; Harvard Law School, 1946–49; 1949–56, attorney in private practice, Rochester, N.Y.; 1956–58, attorney adviser, Rochester Ordnance District, U.S. Army; 1958 to present, attorney, National Science Foundation, Washington, D.C.; admitted to practice in New York and Maryland. Member, American Bar Association, Federal Bar Association, Monroe County, (N.Y.) Bar Association.

STATUS OF PRESENT CONTRACT

Senator ALLOTT. Now, what is the present status of the so-called Brown & Root contract?

Mr. SCHERER. A letter contract was entered into on the 19th of March. The definitive contract was executed on June 20.

Senator ALLOTT. Will you tell me what a definitive contract is?

Mr. SCHERER. That is an official document which specifies in detail the relationships between the parties. It is arrived at by negotiation.

Senator ALLOTT. Now, it appears to me, on the basis of the extended study on this matter, that one of your qualifications was—

the information must be complete and self-sufficient and be able to stand on its own merits during subsequent evaluation.

It is my understanding—and I have gone into this before—that Brown & Root simply submitted a standard company brochure at that time, and in the first instance.

Mr. SCHERER. We do not have the proposals here, sir. But my recollection is that it was both adequate and responsive.

Mr. WATERMAN. Dr. Benson answered that earlier. We felt that it was adequate, and it was responsive to the requirements. All the proposals were subject, of course, to much further examination and discussion between the representatives of the organizations and the Foundation. So the Brown & Root proposal was not any different in that respect.

BACKGROUND OF FIRM OF BROWN & ROOT

Senator ALLOTT. One of the other criteria requested was on—

experience in the field of management of experimental projects or projects of research engineering and development nature of comparable magnitude and complexity.

And I want to make it perfectly clear here that I do not doubt the competency of Brown & Root in the general contracting field. They have done very well, they have just contracted an $80 million space center in Houston and built it. But will you tell me what they have done in the management of experimental projects, or any research engineering?

And please cite any papers published by them or any particular projects which they have done of a comparable magnitude or of comparable complexity in this field?

Mr. WATERMAN. They have done a great variety of operations by contract that is most impressive. In some of these, such as the offshore drilling, there were experimental techniques which they had to develop. And in the contracts of the magnitude and variety that they have undertaken, it is impossible to conceive that they could have done it without research and development.

They were pioneers in the design and construction of offshore platforms for exploration and production of petroleum. They were also pioneers in over-the-side drilling from floating vessels and have operated these in the Gulf of Mexico and the Bay of Fundy. They have had extensive experience in marine operations, especially as related to the production of petroleum, in many parts of the world. Brown & Root have conducted many engineering studies, including analysis of wind and waves as these forces affect the design of structures.

Now, these are relative matters, of course. And it is true that Brown & Root did not have in its own organization the technical competence that some of the other companies had.

OFFSHORE DRILLING EXPERIENCE

Senator ALLOTT. It has done no comparable offshore drilling except in shallow wells; have they?

Mr. WATERMAN. They have not done as much drilling as some of the others, that is right. But only one company has had experience in drilling in water several thousand feet deep, and that was for the National Science Foundation.

Senator ALLOTT. In fact they have done none except in shallow wells?

Mr. WATERMAN. In our view this was offset by the fact that we had the results of the only deep water drilling that has been done and that was for phase I, and also the fact which to us was most impressive, that whenever Brown & Root undertook a job, they were able to obtain the services of the most capable people from the oil and other industries.

Senator ALLOTT. I will go into that a little bit later too, Doctor. But the fact is that as far as this one criteria is concerned, Brown & Root could not measure up. Can you name me any experimental projects—I am not talking about construction projects, in which field I think anyone will admit that they are great managers and extremely capable—but can you name me any experimental projects or projects of research engineering, or any papers or any patents that they have in this area?

Mr. WATERMAN. I have with me a complete list of the contracts that they have held. It is inconceivable to me that they could have done the excellent work that they did in places like Passamaquoddy Bay or Lake Pontchatrain without either having this capability in their own organization or being able to muster it as the requirements dictated.

Senator ALLOTT. I say the same thing to you, Doctor, that I said to you over the phone, that if this is the criteria upon which the contract is to be let, I would have applied for it myself, and I can get adequate scientific, engineering and construction advice and help from all over the country.

But this is not what you advertised for in your bids.

QUALIFICATIONS IN BID ADVERTISEMENT

Mr. WATERMAN. What we advertised for in our bids consisted of competence in a great variety of things. The management competence was one, in addition to the reliability of the firm, the technical competence, and the ability to call on a particular talent wherever it might be necessary.

And we had to judge simply by the proposals we got.

Senator ALLOTT. Another criteria listed by you was—

experience in marine operations, deep drilling projects, and other fields relating to the project, including capabilities for designing experiments and equipment.

Now Brown & Root has no experience in deep drilling. Mr. George Brown was the operator on one well drilled to 15,376 feet, and another one drilled to 15,025 feet, which is not considered exceptionally deep drilling.

What have you to say about this?

Mr. WATERMAN. That is fairly deep drilling. Moreover, this is only one factor in the entire project. And again I repeat, that the important consideration in our mind was that Brown & Root had succeeded in carrying through economically and efficiently whatever they had started out to do. And we had sound reason to believe that in this case the same would be true. If competence was needed in extremely deep drilling, they would be able to enlist that capability for this project.

Senator ALLOTT. You are aware that there have been several wells drilled over 20,000 feet?

Mr. WATERMAN. Yes, sir.

Senator ALLOTT. And that the 15,000 feet falls 5,000 feet or 1 mile short of that?

Mr. WATERMAN. Yes, sir. It is, however, three-fourths of the distance. And I say again that Brown & Root has demonstrated an ability to get cooperation on this kind of a venture. These firms were not equal in each factor, but were all considered competent to do the job. That, of course, was the great difficulty in the final choice among the three.

PARTICIPATION OF GLOBAL MARINE

Senator ALLOTT. Now what happened to Global Marine who did do your preliminary development in this matter in phase I of Mohole project?

Senator MAGNUSON. Where are they located?

Senator ALLOTT. I think in California, I am not sure.

Mr. WATERMAN. California, yes. They were the ones that operated and built the CUSS I which was involved in phase I.

Senator ALLOTT. They drilled two holes?

Mr. WATERMAN. Yes, sir.

Senator ALLOTT. And the first hole was drilled in how many feet of water?

Mr. WATERMAN. That was about 3,000 feet of water.

Mr. BENSON. 3,100 feet.

Senator ALLOTT. And how deep can they go after this is penetrated?

Mr. BENSON. A thousand feet into the bottom.

Senator ALLOTT. What was the second?

Mr. BENSON. The second one was the Guadaloupe site, off Baja California, in nearly 12,000 feet of water, a series of five holes were drilled, and the deepest one penetrated 600 feet into the ocean bottom.

Senator ALLOTT. And Global Marine was not a part of this project at this time?

Mr. BENSON. Global Marine was involved in phase I.

NATIONAL ACADEMY OF SCIENCE PARTICIPATION

Senator ALLOTT. What has happened to the National Academy of Science group that worked on this?

Mr. WATERMAN. The AMSOC Committee which proposed the idea initially is still providing the scientific guidance on the objectives to be reached in this project.

Senator ALLOTT. Who are they providing it to?

Mr. WATERMAN. To us, the National Science Foundation.

Senator ALLOTT. Are they under contract to you?

Mr. WATERMAN. We don't make that kind of contract with the Academy. We have supported that committee financially, though, by grants to the Academy.

Senator ALLOTT. Isn't it an actual fact that the National Academy of Sciences which published this design of a deep ocean drilling ship, for example, is not a part, an active part of this project at this time?

Mr. WATERMAN. This committee was only set up to provide scientific advice and objectives. They still have that relationship to us.

Senator ALLOTT. And they have no relationship to Brown & Root?

RELATIONSHIP WITH STAFF GROUP

Mr. SCHERER. I think the Senator is speaking of the staff reports, Dr. Waterman. And I wish Dr. Benson would explain the relationship.

Mr. WATERMAN. We do have a relationship with the other staff group.

Senator ALLOTT. The document which I refer to is prepared by the technical staff of the American Academy of Sciences, and is Publication 984 dated 1962. I believe it is just off the press.

Mr. SCHERER. The individuals of that staff are associated with us by contract.

Senator ALLOTT. With you?

Mr. SCHERER. At this time, yes.

Mr. WATERMAN. You are talking about the technical staff as distinguished from the committee itself.

Senator ALLOTT. But not with Brown & Root or the people who are contracting?

Mr. SCHERER. The technical staff spent 2 months under contract with Brown & Root for the purpose of transferring to the staff at Brown & Root the information they had gained in the earlier work.

Senator ALLOTT. And isn't it a fact that they left Brown & Root because no specific jobs or research were assigned to them?

Mr. SCHERER. They were under contract for 2 months, which time was deemed adequate for the transfer of information. And they have subsequently come with us under contract as advisers and consultants.

Mr. WATERMAN. They are now associated with the National Science Foundation.

Mr. SCHERER. In that capacity their services will be available to Brown & Root.

Senator ALLOTT. By what means?

Mr. SCHERER. By channel from the National Science Foundation to Brown & Root.

Senator ALLOTT. Do you know whether any of these men of whom you are speaking would engage themselves to work with Brown & Root under the conditions which Brown & Root would see fit to impose?

Mr. SCHERER. They incorporated, sir. And the proposal which they made to Brown & Root was as a corporate body. They did not undertake to serve as individuals, though they were offered positions.

Senator ALLOTT. Now, who has Brown & Root selected to do the drilling in this matter?

Mr. SCHERER. The selection has not been made as yet. The matter is in the study phase, and will remain so for some time.

INDIVIDUALS INVOLVED

Senator ALLOTT. Now, would you supply for the record a group of the individuals—because this is what you required of the companies who submitted these proposals to you—the specific individuals who would be in charge of the operation in each company?

Mr. SCHERER. Yes, sir.

(The information requested follows:)

[Brown & Root]

BOWMAN THOMAS, PROJECT MANAGER-DESIGNEE

B.S. degree in petroleum engineering, Oklahoma University, 1929.

Advanced management program, Harvard Business School, 1949.

Humble Oil & Refining Co., petroleum engineer, 1929–40. Assistant chief petroleum engineer, 1940–45. Chief petroleum engineer and assistant manager, production department, in charge of petroleum engineering, marine construction, drilling equipment, civil engineering, equipment research, and coordinator of all oil and gas conservation projects, 1945–55.

Standard Oil Co. (New Jersey), New York City, regional executive for North America, producing coordination department, 1952–53.

President, Movible Offshore Drilling Co. (A Brown & Root associate.)

[Socony Mobil]

PAUL P. REICHERTZ, SOCONY MOBIL

Dr. Reichertz is manager of the field research laboratory of Socony Mobil Oil Co. in Dallas, Tex. The laboratory employs some 400 people, 180 of which have professional degrees. This division of the Research Department of Socony Mobil is responsible for research and technical service to operations on petroleum exploration and production. It serves the worldwide interests of Socony Mobil.

Dr. Reichertz was formerly assistant manager of the laboratory and manager of the production division. In this position, the applied mathematics section and its associated computing facilities also reported to him.

Prior to joining Socony Mobil in 1943, Dr. Reichertz spent 1 year teaching intermediate and advanced physics at Georgetown University and was employed by Brown University on a National Defense Research Council radar project. He served as a member of the panel on drilling techniques of the AMSOC committee in phase I of Project Mohole. He has been and is a member of a number of scientific societies and has served on numerous society committees. He is presently serving on the Curriculum Accreditation Committee of the Engineering Council for Professional Development where he represents the Society of Petroleum Engineers of the AIME. He also represents Socony on American Petroleum Institute research committees.

Dr. Reichertz received his Ph. D. in 1943 and his Sc. M. in 1939 from Brown University, both in physics. He obtained his B.S. from North Central College, Naperville, Ill., in 1937, with majors in physics and mathematics.

[Global-Aerojet-Shell]

A. G. CAPPS, MANAGING DIRECTOR

Mr. Capps attended the University of Missouri before entering the U.S. Naval Academy in 1937, from which he was graduated with honor in 1941, receiving the B.S. (E.E.) degree. He joined the U.S. Navy destroyer fleet and throughout World War II served in all shipboard capacities, including the organization and training of two destroyer-commissioning crews as executive officer. Immediately before the war, he was selected for special instruction at Bowdoin College in advanced electronics and radar. For leadership and other exceptional wartime service, he was awarded the Navy Cross, two Legion of Merit Medals, the Bronze Star, two commendation ribbons, and a Navy unit citation. After the war, while still in the Navy, he received the M.S. degree in engineering physics and business administration from Cornell University.

He returned to the fleet in 1949 and held many assignments, including the organization and management of supporting weapon schools and ranges in Japan and Formosa. During the Korean war he was assigned to special senior-staff liaison duties with Navy, Air Force, and Army commands, including those of Admiral Burke and General MacArthur. He was in charge of coordinating all supporting weapons throughout the amphibious landings in Korea. After completing destroyer command duty in the Far East, he resigned from the Navy to enter industry.

Mr. Capps joined Convair, a division of General Dynamics, in 1955 and held various supervisory jobs in engineering and long-range planning. In 1958 he joined the Aerojet Systems Division of the Aerojet-General Corp. He was selected to head the planning staff of the antisubmarine warfare division a year later, with additional corporate duties as ASW coordinator. In this capacity with the ASW division and now the new oceanics division, he has been responsible for organizing and leading team efforts requiring complex interrelations not only with other divisions of Aerojet but with many other corporations.

Senator ALLOTT. The ones who are supposed to be doing it for Brown & Root.

QUALIFICATIONS OF COMPANY

Senator ALLOTT. Now, let's go into the other phases. Can you point to any experience that Brown & Root has in what are critical areas of this experiment: (1) Ocean drill hole reentry?

Mr. SCHERER. No, sir.

Senator ALLOTT. (2) Positioning of a floating drilling ship.

Mr. SCHERER. May I amplify my first answer to you, sir?

Senator ALLOTT. Yes, sir.

Mr. SCHERER. No one has had any experience in hole reentry in the deep ocean. This is a new problem.

Senator ALLOTT. Isn't it a fact that both your Global Marine and Socony have had experience in drilling from a movable ship?

Mr. WATERMAN. That is true but getting back into the hole is a new problem.

Senator ALLOTT. But drilling from a floating ship?

Mr. WATERMAN. Yes.

Senator ALLOTT. Not over-side operations?

Mr. WATERMAN. Yes, in the limited depths that we mentioned.

Senator ALLOTT. Can you point to any actual experience that Brown & Root provided you—and this is the third item—in combating high bottom hole temperatures, or any experience they have had in dealing with this very—what is going to be a very complex and hard problem in the penetration of the earth's mantle?

DRILLING DIFFICULTIES

Mr. WATERMAN. This again is a novel problem.

Isn't that right, Dr. Benson?

Mr. BENSON. The problems encountered in the drilling of hard rocks in deeper parts of the Mohole will certainly be novel. The temperatures encountered will be similar to those in the deeper oil wells and are known to Brown & Root as well as the others.

Senator ALLOTT. Brown & Root has only had experience with two wells at 15,000 feet. And this is certainly limited when compared with the total capability of all of the companies you considered, and particularly the Socony group and the Global Marine group.

Mr. SCHERER. Brown & Root, through its associates, has had much broader experience than these two holes.

Mr. WATERMAN. I should like to restate, Senator Allott, that this project, as I am sure you know, is so unique and complex, that it will call for the utmost in a combination of skills. There is no one company that has complete competence in all of these matters. This is true of any type of research.

Senator ALLOTT. I will go to the fourth one, which is the design of long drill strings. Can you point to any experience that Brown & Root has had in the design of long drill strings? I think you will have to say "No."

Mr. WATERMAN. I don't recall the extent of their experience. Solutions to drill string problems involve cooperation with the steel industry and the manufacturers of drilling equipment.

QUALIFICATION OF COMPANY

Senator ALLOTT. I will take another necessary element that must be considered, development of bore-hole equipment and the completion and analysis of involved scientific information from bore-hole measurements and core. Can you point to any experience that Brown &

Root has had specifically in this area, particularly with respect to the meeting of new problems?

Mr. SCHERER. I do not have this information with me. But in these particular areas they have a staff of competent instrument engineers.

Senator ALLOTT. Who are they?

Mr. SCHERER. We will furnish for the record the principal members of the staff and their biographical sketches.

(The information referred to follows:)

EDWARD J. BYRNE, INSTRUMENT ENGINEER

Date of birth: June 19, 1917.

Place: New York, N.Y.

Education: New York University, B.S. in aeronautical engineering, 1939.

Professional: Member, Instrument Society of America.

Experience: 20 years of training in the aircraft and instrument engineering fields. Scope of assignments in the instrument field includes planning and supervision of instrument application designs, estimates, installation, and checkout in a variety of industrial plants; development of instrumentation systems for petrochemical industry application. Aircraft engineering assignments covered preparation of analyses of scheduling, dispatching, traffic, and operational integration of new equipment; development of flight engineering techniques, airframe studies, maintenance programs, etc.

1958–61: Brown & Root, Inc., chief instrument engineer, supervising proposal analysis and estimating, job design, procurement, field checkout and startup on instrumentation systems in the petroleum, chemical, and other process industries. Consulting engineering work on optimalization of automatic control in plant design, utilization of analytical instrumentation, centrifugal compressor surge control, adaptation of computers to continuous processes, economic studies relative to justification of electronic instrumentation, evaluation of new equipment and techniques. Experience includes design work on gas treating and sulfur recovery plants, dual fuel gas combustion control system, gas repressurizing plants, lease automatic production facilities, offshore production facilities, automatic compresser plants, carbonblack plants, and various chemical plant processes; petroleum refining processes including a fluid catalytic unit, vapor recovery unit, crude unit. Experience also includes studies and preparation of bid to NASA for ground instrumentation and tracking system for Project Mercury.

1947–58: Minneapolis Honeywell Regulator Co. Early assignment as field instrument engineer contacting continuous process plants in the gulf coast area. Industrial manager of first the Dallas and then the Houston branch offices. Work consisted of supervising staff of field engineers and service engineers. Supervised design and installation on instrumentation subcontracts in many industries. Representative projects include a fluid catalytic cracking unit, catalytic reformer, alkaylation unit, polyethylene unit, gasoline plants, and ammonia plant, water filtration plant, environmental test chambers, engine test cell installation.

Petroleum industry manager at company's home office in Philadelphia. Responsible for company overall design and development of equipment for petroleum petrochemical industries. Supervised staff of design engineers developing instrumentation systems such as miniature electronics, data reduction, lease automatic custody transfer, analytical instrumentation and computer applications. Attended executive management training course.

1941–46: U.S. Army Air Force engineering officer, discharged with rank of major. Development work on flight engineering techniques on B–29 prototypes. Airframe and powerplant studies at Consolidated Aircraft, San Diego, and Pratt & Whitney, Hartford. Assisted in development of Air Force production line maintenance program.

1939–41: United Air Lines, work involved scheduling, dispatching, and traffic problems. Assisted in analysis of problems anticipated in integrating new equipment into operations.

BILL E. LEE, INSTRUMENTATION

Date of birth: October 10, 1923.
Place: Dallas, Tex.
Education: University of Houston, mechanical engineering.
Military service: U.S. Air Force, 8th Air Force European Theater of Operations.
Experience: Over 10 years of diversified training in the fields of petroleum and petrochemical instrumentation. Assignments include supervision of the design, installation, and troubleshooting of instrument systems for chemical plants, flow, and compressor stations.

1960–61: Brown & Root, Inc., Houston, Tex., instrument engineer on polyethylene project in Montreal, Canada. Instrumentation engineering, startup supervision and troubleshooting for varied units at Humble Oil's Baytown refinery. Units include: Paraxylene facilities, hexane facilities, rubber polymerization, crude pipe stills and automatic turbine startup procedure.

1959–60: Brown & Root, Inc., Houston, Tex., instrument design engineer on Mene Grande and Mobile De Venezuela compressor stations, Signal Oil & Gas Flow Station. Instrument installation supervision and startup for Signal Oil & Mene Grande flow stations on Lake Maracaibo, Venezuela.

1958–59: Brown & Root, Inc., instrument field engineer and startup aid for Southland Paper Mills, Lufkin, Tex. Instrument squad boss on sulfur recovery unit for Texas Gulf Sulphur, Alberta, Canada.

1957–58: Brown & Root, Inc., instrument squad boss on the anic project, Milan, Italy.

1956–57: Brown & Root, Inc., instrument squad boss on the anic project, Milan, Italy.

1949–56: Texas Gulf Sulphur Co., Worland, Wyo. Instrument maintenance foreman, experimental H_2S extraction unit operator-contract meter calibration and syncronization.

1948–49: Foster Wheeler, Inc. Journeyman instrument pipefitter on Texas Gulf Sulphur's Worland, Wyo., plant. Field piping designer for the Mobile Refinery, Casper, Wyo.

1947–48: Foster Wheeler, Inc. Field piping designer for Standard Oil Refinery Revamp, Casper, Wyo.

1946–47: A. C. Air Co., Galveston, Tex., commercial pilot and flying instructor.

1942–45: U.S. Air Force, fighter pilot.

PRACTICING DRILLING ENGINEERS

Senator ALLOTT. Do you know of any practicing drilling engineers that are in the Brown & Root team?

Mr. SCHERER. Yes.

Mr. BENSON. Yes. Their project manager, Mr. Bowman Thomas is a petroleum engineer with 20 years of experience in drilling with various companies.

Senator ALLOTT. And when did they acquire him?

Mr. BENSON. He was slated as their project manager when they made their presentation to us in Washington.

Senator ALLOTT. Does his name appear on the original proposal?

Mr. BENSON. No, sir; not on the original proposal.

Senator ALLOTT. Do you know of any experience that Brown & Root has had, or research that they have done in new drilling methods such as the turbodrill, air and gas drilling, or oriented diamond bits, rotary percussion drills, and things of this nature?

Mr. BENSON. They have at times in the past been associated in drilling experiments with companies such as Dresser Industries, which is the company that does most of the turbodrill experiments.

Senator ALLOTT. I am talking about in-house capability, because this is one of the criteria you set up when you called for these proposals. Do you know of any in-house capability in these areas in Brown & Root at the time they made their proposal to you?

Mr. SCHERER. They have done considerable drilling in the gulf for the major oil companies, sir.

Senator ALLOTT. These are all shallow wells. And most of them for fixed rigs. Now, we both know that.

Mr. SCHERER. They have been one of the principal manufacturers of fixed platforms and are designing and building such platforms for drilling in water of depths to 600 feet.

Senator MAGNUSON. Apparently they weren't in the house, they were in the background.

Senator ALLOTT. That is right.

ASSETS OF COMPANY

Mr. WATERMAN. The great asset of Brown & Root is the ability to use their own organization as a nucleus around which to build specialized project staffs. This method is the key to their success in accomplishing widely diversified and complex engineering projects.

Senator ALLOTT. Where could you find an overall scientific capability, with research capability, designing capability, and experience more than the two other companies which you discarded in favor of Brown & Root?

They are not comparable in any respect. You can take them item by item, put 10, 20, 40, and the capabilities are not there. In every instance Brown & Root has to go out and get it. These other companies had a great deal of it within the organization which they proposed to you.

Mr. WATERMAN. That is exactly the difficulty we found ourselves in in making the final decision, that these groups which came to us were different in their capabilities, and that was what made the decision a very difficult one.

As I said before, we felt that the most important consideration was strong management capability, the capability to do the job, to call in the people that were needed to get it done, to do it efficiently and on time.

And I think those are very important considerations from our standpoint.

Senator ALLOTT. Was Brown & Root active during any time of phase I?

Mr. WATERMAN. No, not on phase I.

Senator ALLOTT. Let's talk about the scientific support of this Rice University in Houston.

Mr. George Rufus Brown, who is a member of Brown & Root, is one of the trustees?

Mr. WATERMAN. I understand so, yes.

Senator ALLOTT. And in your conversation with me over the phone after your preliminary contract was let—which I must say was a rather heated conversation—you said that they were going to use Rice University for their scientific advice and know-how.

RICE UNIVERSITY PARTICIPATION

Mr. WATERMAN. I mentioned that as one of the pieces of information that Brown & Root gave us, that they would look to Rice for consultation.

Senator ALLOTT. As a matter of fact, 3 days before you told me that no selection had been made an article had appeared in one of the Rice University papers relating to the fact that they were going to be a part of the project. That is in the record here?

Mr. WATERMAN. That was not based on any information as far as I know.

Senator ALLOTT. There must be a lot of leaks somewhere, then.

Now, without trying to downgrade Rice University, do you know how old the geology department is at Rice University?

Mr. WATERMAN. Not offhand. It has grown rapidly within the last, I would say, 5 years or so.

Is that right, Dr. Benson?

Mr. BENSON. It was established about 6 or 7 years ago.

Senator ALLOTT. Prof. Carey Cronies is chancellor of the university and chairman of the geology department.

Mr. WATERMAN. I am not sure of the title.

Senator ALLOTT. There is one other professor.

Mr. WATERMAN. I thought Dr. Pitzer was the head of the university now.

Senator ALLOTT. At the time I gathered this information, which was early spring, there was one other professor, two associate professors, and two assistant professors in the Geology Department of Rice University, and the Geology Department of Rice University, which is the scientific institution that you cited to me as being the backstay of this organization, is 5 or 6 years old. I am sure you are aware that there are many fine mining and geology departments in the universities of this country which go back 20, 30, 40, and 50 years, are you not?

Mr. WATERMAN. Yes, of course.

QUESTION OF SELECTION OF RICE UNIVERSITY

Senator ALLOTT. On the basis of the actual experience, what is available here at the present time at Rice University, would you as an individual, if your money was backing this project, select them as the scientific backup for a project of this kind?

Mr. WATERMAN. I am not a geologist, Senator Allott. So I am not a judge really of how they would rate with respect to others. There are very many strong schools in geology, and of course this is a subject where we can be of help to Brown & Root.

Brown & Root mentioned Rice as one of the institutions they could call on. In fact, they avail themselves of the services of several nearby universities, as needed. Dr. Benson may be able to speak about this better than I.

Senator ALLOTT. Wasn't it Rice University that Brown & Root used as the scientific backup for their proposal?

Mr. WATERMAN. They stated that they would be available for that.

Dr. Benson can speak more about the department than I.

Senator ALLOTT. I want to say this. I don't want anything I say to be taken either as criticism of the university or particularly of these individuals, who for all I might know may be extremely competent individuals—but when you consider the length of time since creation of the school, and the extremely limited staff in the geology department,

then I think you must look at least with a slightly jaundiced eye at the capabilities which this might supply as a scientific backup.

Mr. WATERMAN. I am sure you understand, Senator Allott, that if an institution accepted the role of adviser, this would not necessarily mean that they would use only their own faculty. In the field of geology in a project like this, one would need certain specialists, and no university would probably have all the specialists.

So the role of a geological department in my opinion would be not to provide services from their number, but also to recommend where services of the right specialty and high competence would be available.

SCIENTIFIC INPUT FOR PROJECT

Mr. BENSON. The scientific input for this project will be coming from the Foundation, and with the overall design and advice of the AMSOC committee, which consists of a great many outstanding scientists. The role of Rice was simply to advise Brown & Root whether their engineering design was going to meet these scientific requirements that we are imposing on them.

They are not playing a major role in the scientific design of the project. And that is not to downgrade Rice either. Their department is young, but it is a competent, though small department.

Senator ALLOTT. I make the point especially, I am not trying to downgrade them.

Mr. BENSON. Rice is also being used as an engineering consultant in certain phases of this project. And here they have a much longer record.

They have specialists in engineering mechanics, theory of elasticity, metallurgy, and thermodynamics.

Mr. WATERMAN. These are all important subjects.

Senator ALLOTT. But not specifically applied to the area you are speaking of. The experience of Rice in this field is not specifically applied to these areas.

Mr. WATERMAN. It hasn't been mentioned, but certainly it could be called upon.

COST ESTIMATES

Senator ALLOTT. Now, in your proposals there was a suggestion that these various firms give their estimate of the overall cost. Would you give me what each supplied you, the three main ones?

Mr. SCHERER. We did not in our original invitation request such information——

Senator ALLOTT. Not in your original, but subsequently.

Mr. SCHERER. These were approximations which were made during the briefing sessions in Washington. In the report from the General Accounting Office I would like to add that as to the Shell-Aerojet figures, the record does not include any correcting factor.

Specifically Dr. Spaght said that there could be a factor of 2 utilized. So that Dr. Spaght's figures, as I recall, were between $20 and $40 million, as a rough guess.

Senator ALLOTT. For whom?

Mr. SCHERER. For Global Marine and Aerojet Shell.

Senator ALLOTT. Between 40 and 50?

Mr. SCHERER. No, between 20 and 40.

Senator ALLOTT. I beg your pardon.

Mr. WATERMAN. These figures were obtained informally, Senator Allott.

Senator ALLOTT. Informally, what figures did you get from these three present proposals?

Mr. WATERMAN. These are quoted in the report of GAO.

Senator ALLOTT. I can't seem to put my eye on it.

Mr. WATERMAN. Global-Aerojet-Shell is stated as $23 million. And as Mr. Scherer just said, when these were given they were reported as being inexact within a factor of 2 in their opinion.

Senator ALLOTT. What do you mean, "within a factor of 2"?

Mr. WATERMAN. It might easily be twice as high. And Brown & Root estimated $35 million. Socony Mobil estimated $44 million. Now, these were given under different circumstances. Some were just quick estimates, while in others, the company made certain assumptions about how the project would be done, and stated that on those specific assumptions the cost would be such and such. But they added that these assumptions were not at all certain, and one would have to carry out the project before one could be sure that the estimates would be correct.

U.S. GOVERNMENT PARTICIPATION

The reason we asked for these was to form some opinion as to what the U.S. Government would be required to pay. That was the real reason for doing it; the uncertainties were such that there was no basis for requesting such estimates as part of the proposal.

It would be misleading to try to attach any great significance to such figures, and what we came out with was a reasonably good approximation as to what we would be able to tell the Bureau of the Budget and the Congress the entire project would cost.

Senator ALLOTT. What do you give as the approximate cost of the whole project in your opinion today?

Mr. WATERMAN. At the present time, approximately $50 million. But that might be wrong by quite a factor.

Is that right?

Mr. SCHERER. Yes.

Senator ALLOTT. And what are you requesting in your figures today for the Mohole project included in this budget?

Mr. WATERMAN. $5 million for this fiscal year.

Senator ALLOTT. And where is that in the line items, what is it included under?

Mr. WATERMAN. Page 153 in the budget.

Senator ALLOTT. There is just one line item on our schedule. So it would be $5 million.

Senator MAGNUSON. It is $1.364 million in 1961, and in 1962 only $1 million——

EXPENDITURES BY COMPANIES

Senator ALLOTT. How much has been paid in advance for management fee?

Mr. SCHERER. A total of $167,000 has been expended as of July 28 for all aspects of work under the contract, of which a small portion is the applicable fixed fee. No funds have been paid in advance of work performed.

Senator ALLOTT. Did you receive a wire from Brown & Root this spring telling you, or a communication, written communication telling you in effect that they will be ready to spud in by the spring of 1963?

Mr. BENSON. No, sir; I have no recollection of it.

Senator ALLOTT. Can you answer that unequivocally no?

Mr. BENSON. Not without checking. But I have no recollection of such a wire.

Mr. SCHERER. There is no such letter as far as I know, sir.

Senator ALLOTT. Let us leave it open so that you can check. And if you do find a communication of a similar nature, will you include that in the record, please?

Mr. SCHERER. Yes, sir.

(The following was furnished for the record:)

A comprehensive search of Foundation records has revealed no such communication.

Senator ALLOTT. Now, Mr. Chairman, this has already been ordered to be printed, and is placed in the record.

Senator ALLOTT. I think that is all I have at this time on this matter.

Mr. WATERMAN. May I remark, Mr. Chairman, that this was a very difficult decision for us to make because of all the factors we have enumerated. Our decision took into account all the capabilities of the various companies which in our judgment were vital to the successful accomplishment of the project. Our criteria were carefully structured and the evaluations were thoroughly reviewed. In my opinion, the decision was correct, and I am confident that the choice we made was the right one.

Senator ALLOTT. Mr. Chairman, my own point of view is that what was done here is this: National Science Foundation advertised a scientific project, and they asked for experienced, competent people to come in with their proposals, and they then in effect brokered out this contract to Brown & Root.

And this is the view that the Senator from Colorado takes of this particular matter.

EXPENDITURES BY COMPANIES

I would like to ask one other thing. Have you any other idea as to how much was spent collectively by these other companies in submitting their proposals to you?

Mr. SCHERER. It must have been a substantial amount. The proposals were thoroughly thought through and well presented.

Senator ALLOTT. Would you say it averaged at least a quarter of a million for the top five apiece?

Mr. SCHERER. I would think that would be high. Perhaps a hundred thousand dollars.

Senator ALLOTT. That is all, Mr. Chairman.

Senator MAGNUSON. One other item. Section 304 of the House bill states:

None of the funds provided herein shall be used to pay any recipient of a grant for the conduct of a research project an amount for indirect expenses in connection with such a project in excess of 20 per centum of the direct cost.

And then on the floor of the House an amendment was adopted, introduced by Congressman Miller of California, and put that amount up to 25.

Senator ALLOTT. May I interrupt here?

Senator MAGNUSON. Yes.

INVITATION TO SUBMIT PROPOSALS

Senator ALLOTT. There were three documents that these gentlemen issued, and I submitted two of them for the record. I would like to submit the actual invitation to submit proposals. The other one I submitted was similar. And this is dated July 27, 1961.

Senator MAGNUSON. It may go in.

(The information referred to follows:)

NATIONAL SCIENCE FOUNDATION,
Washington, D.C., July 27, 1961.

INVITATION TO SUBMIT PROPOSAL FOR PHASE II OF MOHOLE PROJECT

The National Science Foundation invites you to submit a management proposal for consideration as the prime contractor who would ultimately provide the necessary services, facilities, materials, and equipment for the Mohole project as generally described in the attached material and as outlined in the briefing meeting.

Proposals will be evaluated on the basis of engineering approach, skills, experience, and your independent appraisal as to how you would manage the entire program. You should set forth clearly how you propose to handle the project if awarded the contract. Your submission showing your comprehension of and response to the problem, the feasibility of your approach and your demonstrated capabilities will be among the key factors in selection of the prime contractor. The information must be complete, self-sufficient, and be able to stand on its own merits during subsequent evaluation.

In order that the Foundation may give full consideration to your proposal and capabilities, there should be included, as a supplement to your proposal for management of the project, information of the following nature: (These factors are suggestive of some of the topics required to be included with your submission and are not to be considered all-inclusive.)

1. Experience in the field of management of experimental projects or projects of a research engineering and developmental nature of comparable magnitude and complexity.

2. Names and qualifications of the staff that would be assigned to the project. (Appropriate organization charts showing departmental lines of responsibility and duties.)

3. Experience in marine operations, deep-drilling projects, and other fields relating to the project including capabilities for designing experiments and equipment.

4. Facilities available and sources for obtaining other required facilities and previous history in subcontracting effort.

5. A brief statement of your financial resources.

6. Expressed willingness to contribute freely of your own knowledge and to permit publication of all methods and results.

7. A statement of your methods of handling major subcontracts and any surcharges or rate of fee thereon.

8. The rate of fee that would be charged prime contractor effort, overhead, and general and administrative rates that would be charged to this project during the next 12 months.

9. Any other statements of special skills and facilities or other information you feel pertinent for the proper evaluation of your capabilities.

10. Set forth past record in performing highly complex management and engineering work.

If selected for further consideration, the Foundation may request that you furnish additional information relating to your financial resources, equipment, salary scales of key technical personnel that would be assigned to the project, etc.

Award of the contract will be on a phase basis, dependent in part on the successful proposal and availability of funds to the Foundation. However, one prime contractor will be selected for the entire project.

It is to be noted that cost estimates are not required to be submitted in response to this invitation. This letter is not to be construed as a contract or commitment of any kind.

Your proposal should be received not later than August 26, 1961, by the National Science Foundation, Washington, D.C., attention: Earth Sciences Program Office.

Sincerely yours,

RANDAL M. ROBERTSON,
Assistant Director for Mathematical, Physical, and Engineering Sciences.

COMMUNICATION

Senator MAGNUSON. And in the Defense and HEW contracts, they put the amount at 20 percent. And those bills have been passed.

I have a letter from the American Council on Education, Logan Wilson, pointing out the problem involved here for the Science Foundation with this limitation.

(The letter referred to follows.)

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., August 10, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee on Independent Offices,
Senate Committee on Appropriations,
Washington, D.C.

DEAR SENATOR MAGNUSON: I write with reference to H.R. 12711, the independent offices appropriation bill for 1963, now pending before your subcommittee. The American Council on Education is especially concerned with section 304 which limits payment of indirect costs of research grants to 25 percent of direct costs.

The council has brought to the attention of Congress the inequitable situation in which colleges and universities are placed by statutuory limitations on the payment of indirect costs of federally sponsored research grants. For several years, a statutory limitation of 15 percent has been imposed on the payment of indirect costs of research grants from the Department of Health, Education, and Welfare. This year, a similar limitation was proposed for the Department of Defense. The Senate removed both limitations from appropriation bills, but in conference the limitations were restored with the percentage raised from 15 to 20 percent.

As originally reported to the House, section 304 of H.R. 12711 required a 20-percent limitations on the payment of indirect costs. As you know, this limitation was raised from 20 to 25 percent through an amendment offered by Representative George P. Miller, chairman of the House Committee on Science and Astronautics. In the debate on this amendment, Representative Miller and Representative Albert Thomas, chairman of the House Appropriations Subcommittee for Independent Offices, gave assurances that the whole question of payment of indirect costs would be studied thoroughly by committees of the House and that every effort would be made to work out a solution to the problem that would protect the interest of the Government and of the institutions.

The National Science Foundation has published data indicating that the average indirect cost rate on Federal research and development contracts and grants is 28 percent of direct costs for large colleges and universities and 32 percent of direct costs for small colleges and universities.

In the Senate hearings on the 1963 appropriation for the Department of Defense, President Herbert E. Longenecker, of Tulane University, representing the American Council on Education, presented in detail our case against percentage limitations on indirect costs and urged adoption of a policy of full reimbursement of indirect costs according to the principles of Bureau of the Budget Circular A–21. I respectfully refer you and other members of your subcommittee to this testimony which appears on pages 1693–1702 of the Senate hearings on the Department of Defense appropriation bill for 1963.

A limitation of 25 percent on indirect costs payment comes closer to the average rate determined by the NSF study than the rate of 20 percent included as a limitation in the Labor-HEW and the Defense appropriation bills. We believe that the 25-percent limitation proposed in section 304 of H.R. 12711 will work a less serious hardship than a 20-percent indirect cost limitation on colleges and universities accepting research grants during fiscal 1963 from the National Aeronautics and Space Administration and from the National Science Foundation.

We respectfully request, therefore, that your subcommittee leave the language of section 304 unchanged when H.R. 12711 is reported to the Senate. At the same time, we reserve the right to press for complete elimination of arbitrary ceilings on payment of indirect costs in appropriation bills coming before the 88th Congress.

I should appreciate it if this letter could be included in the printed record of hearings on H.R. 12711. For the record, the American Council on Education is an organization of 145 national and regional educational associations and nearly 1,000 institutions of higher education.

Sincerely yours,

LOGAN WILSON.

EFFECTS OF LIMITATION

Senator MAGNUSON. And also a letter from—I won't put this in—from the University of Rochester. I have several communications from universities, both written and oral, in many cases, about this item.

Practically all of them discussed it with us.

And I wish, Dr. Waterman, you would tell us about this and what it does, and what the effects of the limitation is, or will be.

Mr. WATERMAN. With the present position that the House has taken with respect to the independent offices bill, namely, a limitation of 25 percent for indirect costs, it would be satisfactory to the National Science Foundation provided that we can retain our policy as we do now of having a flat rate up to which we can reimburse for indirect costs.

Our present flat rate is 20 percent. But we have made a very careful survey of indirect costs at colleges and universities, and we believe that the 25-percent limitation would be more equitable than the 20-percent limitation. This simplifies the administration of research grants very much, on behalf of the Government and the institution.

Our policy has been to reimburse in that manner so that if the House decision with an upper limit of 25 percent for indirect costs goes through, we can continue this policy up to the 25-percent flat rate. This would be satisfactory to the Foundation.

INDIRECT COSTS

Senator MAGNUSON. Give the record an example, a typical example of what indirect costs.

Mr. WATERMAN. The indirect costs—

Senator MAGNUSON. In a grant.

Mr. WATERMAN. Mr. Rosenthal, will you speak to that?

Mr. ROSENTHAL. The indirect costs associated with the direct costs of the projects usually go to items such as the maintenance of the plant, the utilities, the heat, the light, the power, the janitorial staffs, the use of buildings and equipment, the administrative offices, and the necessary office materials and supplies that a university must have as part of their regular routine of business, but which are not readily identifiable with a particular prospect. These are the kind of expenses which are considered as indirect costs.

Senator MAGNUSON. But they would very, wouldn't they?

Mr. ROSENTHAL. They would vary considerably, and not only because of the kind of accounting treatment they are given in particular schools. Now, this is governed to a great extent by either the practice of the school, or in the cases of many State universities, by the requirements of the State legislatures on how the State institutions must keep their books.

And this accounts to a great extent for the variation in costs that we have seen quoted in various papers about the differences in costs as between one school and another. In actual practice this does not mean that a project in one school necessarily will cost in total more than a project in another school.

Senator MAGNUSON. Of course, the 15 percent normally caused a lot of problems, didn't it?

Mr. WATERMAN. It did, very much so.

Senator MAGNUSON. I don't think I have ever run into a university president or official, no matter where it is or what time it is of the year, who doesn't talk to me about this particular item, any place in the United States.

Would you need some further language that in certain cases you might have a flexibility?

INDIRECT COSTS AVERAGE

Mr. WATERMAN. In the case of research grants such as we commonly make, indirect costs average out among the institutions, quite well.

And many institutions would prefer a flat rate in preference to trying to go through a great deal of discussion and negotiations. For simplicity, in the case of a basic research grant, the simple flat rate is much better in our opinion where it is acceptable to the institution.

Senator MAGNUSON. So you can live with the 25 if we can retain that?

Mr. WATERMAN. Yes, sir.

Mr. ROSENTHAL. This is assuming, Mr. Chairman, if I may, that we will continue the practice that we have had in the past of using a flat rate which is now 20 percent and might go to a maximum flat rate of 25 percent.

Senator MAGNUSON. For our consideration, you had better submit to us some language that we can put in the report that would point this out.

Mr. ROSENTHAL. I would be very happy to do so.

Senator MAGNUSON. For our consideration.

Section 304 of the general provisions of the act as passed by the House limits the payment of indirect expenses in connection with research projects to a maximum rate of 25 percent of the direct costs. This limitation is applicable to research projects supported by grants. The committee strongly supports the

action of the House in establishing a maximum rate of 25 percent since it will permit agencies, such as the National Science Foundation, to approve the payment of indirect costs on the basis of a flat rate per centum which is equitable to both the Federal Government and the colleges and universities. The committee feels that the current rate being used by agencies should be adjusted so that colleges and universities will be reimbursed for indirect expenses in connection with research projects at rates which are reasonable approximations of average costs.

HOUSE REPORT

Senator ALLOTT. Mr. Chairman, on this point the House committee report says 20 percent in this respect. But on the floor—and this is misleading, because on the floor it was raised to 25 percent. I would just like to get one thing.

The way you get at this problem is, rather than try to fight all of the various accounting methods, you just put a flat rate on it, and heretofore you have used 20 percent?

Mr. WATERMAN. That is right.

Senator MAGNUSON. They have been limited sometimes.

Senator ALLOTT. I mean during the past year.

Mr. WATERMAN. Yes; our practice has been 20 percent, and the Appropriations Committee has gone along with that in the past.

Senator ALLOTT. And what you say would be satisfactory would be the 25 percent. And I must say that the senior Senator from Massachusetts, Senator Saltonstall, sat through extensive hearings with us on defense research on these matters, and in NIH also on those matters, and he asked me to express his interest and the hope that he would retain 25 percent.

I have also had a hundred letters, I expect, from my friends in Colorado who are engaged in this work one way or another.

Mr. WATERMAN. We have made a study of indirect costs, and this 25-percent limitation we feel would be more equitable.

Senator MAGNUSON. And give us a little language, if we decide to do this, so we can put in the report what we intend to do.

Mr. WATERMAN. Yes, sir.

(Subsequently, the committee received the following letter from the National Science Foundation Director, Dr. Waterman:)

NATIONAL SCIENCE FOUNDATION,
OFFICE OF THE DIRECTOR,
Washington, D.C., August 20, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

MY DEAR SENATOR MAGNUSON: One of the important and promising scientific efforts being sponsored by the National Science Foundation is Project Mohole, which, as you know, has the objective of drilling through the earth's crust to the mantle. This project can only be accomplished with the full cooperation and participation of individuals and organizations in many scientific and technical fields. For this reason, I respectfully request an opportunity to clarify and supplement the public record concerning the manner and basis for awarding the prime contract for the accomplishment of this project to Brown & Root, Inc., of Houston, Tex.

On August 16, 1962, representatives of the Foundation appeared before the Senate subcommittee in charge of independent offices appropriations to discuss our appropriation for fiscal year 1963. During the course of these hearings, a number of well-considered and detailed questions were raised concerning contracting methods and the judgments involved in awarding the prime contract.

After reviewing the transcript of the hearings, I feel that our responses

to the questions asked may not have provided the full development of all the considerations involved in selecting the prime contractor for this project.

The decision to award the prime contract to Brown & Root, Inc., was based solely on my judgment after full consideration of the studies and recommendations of the review and evaluation panels and discussions with my senior colleagues at the Foundation as well as discussions with members of the National Science Board. This decision required selection from among three competent organizations, each with strengths in particular areas, and being approximately equal, in our judgment, in their total capabilities. In making this decision my principal concern was to make the choice which would assure that Project Mohole retained the essential characteristics of a scientific experiment.

The concept of this research project evolved from the cooperative efforts of a broad range of scientific and technical talent working under the leadership of the AMSOC Committee of the National Academy of Sciences. This Committee and its technical staff led the way in the development of the ship positioning and other unique techniques so successfully employed in the conduct of phase I of Project Mohole. In my judgment, the key to success in phase II was to extend this broad cooperative approach so that the National Academy of Sciences AMSOC Committee and the National Science Foundation could provide scientific and technical direction to the project through a prime contractor.

Experience with phase I demonstrated the feasibility of Project Mohole, the uniqueness of the undertaking, the complexities of the scientific and technical problems, and the need for a high order of technological innovation and project management capability. Clearly, all three of the organizations under consideration for prime contractor possessed, in-house, some of the capabilities necessary to meet the challenge. It was equally clear that none of them possessed all these capabilities. To me, the essential elements of the choice among three qualified organizations were:

(1) Which organization had the broadest experience in managing and coordinating the conduct of large engineering projects.

(2) Which organization had the greatest demonstrated ability to marshal specialists in widely diversified fields into an effective engineering and operating team for the accomplishment of a specific major project.

(3) To what extent had the organizations demonstrated their flexibility by successfully completing a wide variety of major projects on schedule and within estimated costs.

(4) In what manner was provision to be made for Project Mohole within the total organization and what was the probable priority which would be accorded this project within the total operations of the corporation.

In terms of these essential elements I considered the report of the evaluation and review panels. In my judgment, Brown & Root, Inc., offered the best combination of management skills and broad experience essential to the accomplishment of Project Mohole. The Foundation has strengthened its staff to provide scientific guidance for the project and is prepared to bring to bear on the more complex technical problems a wide range of competence from many universities and industrial organizations. Project Mohole is a scientific effort of international significance and I am sure that the proper combination of talents will be focused on the solution of the many problems which must be solved.

The National Science Foundation is gratified with the response received from industry to our invitation to submit proposals for Project Mohole. The selection of one proposal from so many worthwhile proposals was indeed a difficult task. The decision, in selecting a contractor, was made solely on the basis of the best interests of the Nation, of science, and in keeping with the most efficient and prudent use of public funds.

As stated in the Comptroller General's letter of June 18, 1962, to Senator Thomas H. Kuchel, which was included in the Congressional Record of June 20, 1962, on page 10343, the Foundation has carefully conformed with statutory requirements and accepted contracting practices of the Federal Government in soliciting proposals and in awarding the prime contract. It is understandable that all organizations would want to be assured that full consideration was given to their proposals. For this reason I appreciated the opportunity to respond to questions on this matter at the hearings before your committee. This letter will serve to provide a more complete record concerning the prime contract for Project Mohole and I respectfully request that it be inserted in the record of the hearings before the subscommittee in charge of independent offices appropriations on August 16, 1962.

Sincerely yours,

ALAN T. WATERMAN, *Director.*

(See p. 672)

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., August 17, 1962.

Hon. CARL HAYDEN,
Chairman, Committee on Appropriations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This has reference to your recent request for our views on the attached letters dated March 12, 1962, to you and the Director of the Bureau of the Budget from Senator Ralph Yarborough, concerning the provision of vehicular parking space at the proposed Federal office building to be constructed in Fort Worth, Tex.

The selection of a site for a proposed Federal building is based on many considerations, but, primarily, the site must be one which will contribute to economy and efficiency in construction, maintenance and operation, provide economical and efficient management of the Government's total space needs in the community, and offer convenience and accessibility for both employees and the general public.

In the planning and construction of Federal buildings in urban centers such as Fort Worth, we generally try to provide parking facilities in the ratio of one space per seven building occupants. Such facilities are planned either as a garage in the building or as surface parking on undeveloped portions of the project site or sometimes combinations of both. Our design of the Fort Worth project is proceeding with the 1-to-7 ratio as an objective.

We recognize that the foregoing will not accommodate many employees who may prefer to drive to work in Fort Worth. However, any significant increase in the ratio would involve a much enlarged site or a prohibitive investment in construction funds, or a combination of the two.

Twenty-two possible sites in Fort Worth were studied and evaluated very carefully before a final decision was made. The site selected, in the central business district, will afford a location which we believe offers the most advantages from the standpoint of convenience and accessibility for the employees and the general public. It is in close proximity to the principal public transit routes serving Fort Worth and at the same time is within walking distance of a number of commercial parking lots offering suitable accommodations at reasonable rates.

In the circumstances, we believe that the parking facilities contemplated for the Fort Worth building are reasonable and in the public interest. I am satisfied that a new Federal building constructed on the site selected will best serve the interests of the Government and the citizens of Fort Worth.

Sincerely yours,

LAWSON B. KNOTT, Jr.,
Acting Administrator.

Copy to Hon. Warren G. Magnuson, chairman, Subcommittee on Independent Offices Appropriations, Committee on Appropriations, U.S. Senate, Washington, D.C.

ADDENDUM—CIVIL DEFENSE

BERKELEY, CALIF., *August 13, 1962.*

Hon. THOMAS H. KUCHEL,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR KUCHEL: Your Subcommittee on Independent Offices of the Senate Appropriations Committee is currently holding hearings with public testimony scheduled for Tuesday, August 14, at 2 p.m. on the Office of Civil Defense budget request. If personal matters had permitted, I should have requested the opportunity of testifying before the committee. In lieu of that, and if the accompanying statement seems to you both useful and pertinent to the committee's deliberations, I would greatly appreciate your requesting of Chairman Magnuson that it be made a part of the printed record of the hearings.

For the past 5 months, I have devoted full time to researching the civil defense field, with especial regard to the impact of the current and proposed fallout shelter programs on local communities and schools. In the process, I have amassed a quite considerable library and file on local, State, and Federal

aspects of this matter. I am conversant with all of the standard literature in the field: "The Effects of Nuclear Weapons," all of the Holifield hearings and reports, the most recent congressional hearings of the House Independent Offices Subcommittee chaired by Representative Albert Thomas, and numerous governmental and privately financed studies.

In addition, I have found it possible to establish personal contacts with local and State civil defense personnel, State legislative and administrative personnel within whose purview come the civil defense programs, as well as comparable contacts in Washington.

I am a businessman in Berkeley with my own product design and development firm. Fortunate circumstances also make me essentially financially independent. A significant measure of this good fortune is derived from the Walker Trust of Washington, D.C., of which I am a beneficiary as well as cotrustee with American Security & Trust Co. (in fact, one of our holdings, the Walker Building, is immediately adjacent to American Security on 15th Street). Such trust management requires my periodic presence in Washington, which, incidentally, proves most convenient on matters of a political nature.

It is in view of these circumstances that I have been able to pursue the civil defense question so extensively. From time to time I have also found it possible to make comparable use of my independent position to participate in other matters of a "civic" nature for which I feel a deep concern.

While making no claim to being an unusual authority on shelter programs, I do believe that I have at my command material and knowledge of this field which may be unique. It is obviously difficult for you to evaluate this from the short statement which I enclose herewith. It seems only fair, therefore, to have apprised you in some detail as to my personal background and the basis upon which I have been able to investigate this subject which is now before the Congress.

Yours very truly,

ROBERT J. WALKER.

STATEMENT BY ROBERT J. WALKER

My name is Robert J. Walker. I am a resident of Berkeley, Calif., where I conduct my own business. Concern over the implications of the shelter program led me, since February of this year, to devote full time to the investigation and research of the many aspects of this field—local, State and National—with especial regard to the effects that any such civil defense program might have on local communities and schools.

In my reading of the testimony before the several committees of Congress concerned with Federal shelter programs, I find little if any mention made of the actual impact of such programs on the people of the various communities—those who comprise the school boards, city councils, boards of trustees of various nonprofit institutions, as well as the local citizen and voter. It is upon these, the American people considered in their individual roles in each community in the Nation, that the success of any shelter program must in the final analysis depend and upon whom its burdens must fall.

My observation of the status of the shelter program among the electorate in the local community is that there is some support, much outward apathy, but primarily resistance to any shelter program. In addition, when any body of local citizens has an opportunity to examine the true nature and implications of the current or proposed Federal fallout shelter program, the opposition becomes quite overwhelming. It is my belief that the congressional polls of this session are as close an index of this situation as any: in not one congressional district among those in which a question was asked about the shelter program was there a majority in favor. In fact, the opposition is unmistakably extensive. Since the temper of the people is a matter of fundamental importance on an issue of this nature, I should like to offer several observations for the consideration of this committee concerning the reasons for this opposition.

I would suggest, in the first place, that the hostility to any shelter program among those who are not well informed as to its provisions derives from the unsavory nature of the entire shelter episode which accompanied the Berlin crisis in the summer and fall of last year. Its aspects are too well known to warrant reciting, but the nationwide collapse of the shelter industry this spring is a clear indication of the disenchantment with and outright rejection of a private shelter program and, I believe in consequence, of any shelter program.

Once the major facts of the shelter program become known, other and more

specific aspects influence decisively the reaction of the public. (Such reactions are far clearer and more specific than in the former case where one is dealing with an amorphous disquiet among the body politic.) These more specific reactions warrant a more detailed analysis, inasmuch as they can provoke such strong opposition to any shelter program. This obvious hostility, although quite localized at present, will apparently become increasingly widespread and vocal if the current program of identifying, marking, and stocking should continue; while further, if the so-called "incentive" program were ever to be adopted as Government policy, the reaction could well be quite extreme. For the sake of brevity, a few examples may serve to demonstrate some of the problem areas, areas familiar to anyone who has participated in civil and community affairs.

School boards in practically every community in the land are hard pressed to meet the educational needs of an expanding population, let alone the additional "post-sputnik" educational demands. Consequently, since schools for community shelters comprise the focal point of the shelter program, it should not be surprising that there is, to say the least, considerable reticence among school authorities to bear the further burden of a community shelter program. Inevitably, additional aspects come to light when school boards and administrators are forced to investigate the ramifications of the Federal fallout shelter program. The American Association of School Administrators has expressed to its members nationally the negative feeling of most informed school personnel. To local school authorities and interested local citizens, further investigation can prove even more revealing: as extensive congressional testimony has indicated, most population centers of the Nation are in areas requiring blast and fire protection—areas where the OCD-proposed fallout shelters would be essentially meaningless. The California Disaster Office, in a definitive report, "Shelters in Schools," prepared this year on the request of the State legislature, has this to say:

"A valid shelter program providing protection for every person in California would lend itself effectively to organization around school districts. It should include approximately 15-percent fallout shelters, and 85-percent shelters with blast and mass fire protection, ranging from nominal to 30 p.s.i. overpressure, depending upon distance from the target. It should be emphasized that about 85 percent of our citizens live in or near federally designated target areas."

Most other population centers of the Nation are in the same situation. Secretary Pittman's own testimony confirms this fact when he admits that, even with the full proposed fallout shelter program, a nuclear attack on our population could produce some 130 million fatalities. These are the lives which the current and proposed OCD fallout-only shelter program necessarily accepts as expendable. Should it be surprising, then, that the majority of the Nation's school authorities (and the local voters who bear the tax burden) emphasis on schools to provide shelters of such dubious value seems a poor excuse for adding to an already difficult financial situation, while at the same time running the very real risk of endangering the educational processes themselves? Indeed, it would seem wise to remember the extent to which the schools are a cherished local institution; one might well think twice before subjecting them to poorly conceived programs that could arouse a veritable hornets' nest of angry citizens.

As the so-called "incentive" program specifically, if school boards, hospitals, orphanages, old folks homes, and other nonprofit health, education, and welfare institutions become aware of the actual nature of this proposed program and the costs which they would be expected to bear, can anything other than outright hostility be expected? Anyone familiar with the operation of such institutions must know of their incessant financial difficulties. To anticipate their contributing $1.5 billion over the next 5 years seems well-nigh preposterous, and anyone actually proposing this in a local community would probably be laughed out of town.

Turning to another aspect of the shelter program on the local level, one finds that the current identifying, licensing, marking, and stocking program has already run into serious problems in the attempt to obtain signed licenses from property owners. The original OCD plan called for inspecting the majority of buildings in person only after the owner had signed the license agreement. Building owners, it seems however, want to know before they sign just what space is going to be made use of and where their currently stored material could be put. How could anyone familiar at all with businessmen or building owners have neglected to anticipate such problems? Yet such difficulties will seem small indeed in comparison to the ones that can be expected when those building

owners whose buildings do not meet the specified protection factor of 100 find that indeed in comparison to the ones that can be expected when those building for public shelter use. Can anyone seriously believe that such a proposal will meet with anything but amazement and antagonism in each local community?

In addition to what has already been mentioned, the Office of Civil Defense also proposes that certain businesses and private individuals build shelters for themselves and this is expected in the fact of the obvious collapse of the private shelter industry and program. It seems almost incomprehensible how any program could be contrived that evidences such little understanding of the operation of local governmental, nonprofit, and business institutions, coupled with such apparent misunderstanding of the psychology of the individual citizen and his relationship to community affairs.

What results can therefore be anticipated with regard to the current and proposed Federal fallout shelter program in view of the above? In the first place, of the total goal of approximately 230 million shelter spaces by the end of 5 years, predicated upon the OCD proposal, 100 million spaces (42.5 percent) are supposed to come from the nonprofit health, education, and welfare institutions, plus 60 million (25.5 percent) from the proposed private shelter builders. Since there are logical reasons as already indicated to believe that there will be resistance from these sources, it seems highly possible that more than half (up to 68 percent) of the estimated spaces will not be forthcoming.

In addition to this, it is well to realize that of the remaining 70 million spaces which the OCD proposes to identify, mark, and stock, a large number would have to be upgraded at the building owner's personal expense. Since this seems equally illogical to count on, one reaches the unavoidable conclusion that much more than half of the proposed shelter spaces simply would not be forthcoming due to local resistance and outright hostility, inevitably engendered as the program unfolds.

The Office of Civil Defense program consequently seems patently urealistic. What is the answer? To force upon the electorate an entirely federally financed and dictated fallout shelter program? Or is it to embark upon a complete fire and blast, as well as fallout shelter undertaking, at costs varying from Representative Hollifield's $20 billion program, the Rand Corp.'s $150 billion estimate, to the New York academic study producing a figure of $302 billion? Yet such extensive programs have their own inescapable problems which, upon analysis, seem comparably insuperable.

Is there a way out of this apparent dilemma? I believe there is. The current congressional disenchantment with the entire shelter program seems equally well-founded on the basis of congressional wisdom and the feel of the Congress for the temper of the people. It does seem most probable that the proposed incentive program would produce a severe reaction if ever authorized and budgeted; even the current program (a partial survival, partial shelter program) seems destined to provoke open hostility as its impact and implications impinge upon the electorate of this Nation.

I would therefore earnestly suggest to this committee that the present United States-U.S.S.R. balance-of-shelter situation be left as it is; and that the most realistic solution presenting itself to the committee is to call a complete halt to the OCD's impractical and impossible scheme.

(See National Science Foundation, p. 1324)

STANFORD UNIVERSITY,
Stanford, Calif., August 10, 1962.

Hon. CARL HAYDEN,
U.S. Senator,
Washington, D.C.

DEAR SENATOR HAYDEN: President Sterling is away from the office on a brief vacation. In his absence, I am following through on his earlier correspondence with you concerning limitations on indirect costs of Federal research grants.

As you know, the previous correspondence dealt with House-imposed limitations placed in the Department of Defense, and in the Health, Education, and Welfare appropriation bills. I am now writing concerning the independent offices appropriations bill (H.R. 12711) now pending before the Senate Appropriations Committee.

This bill contains a 25-percent limitation on indirect costs as a result of action in the House. While in principle Stanford still believes that any arbitrary

limitation is unrealistic and unfair—a position taken by the Senate in its actions on the DOD and HEW appropriations—we are writing to urge acceptance by the Senate of the 25 percent limitation included in H.R. 12711. In light of Senate-House compromise action on the other appropriation measures, and in view of assurances that the whole matter of indirect cost payments will be reviewed prior to action on next year's appropriation bills, we strongly believe that the 25 percent limitation in the case of H.R. 12711 should be supported and is in the best interests of the Nation's colleges and universities at this time. Naturally we hope that in future years the Senate position of eliminating all such arbitrary restrictions will prevail.

Finally, I know that President Sterling would want me to add his warmest personal thanks, as well as those of Stanford University, for the understanding and support which you have given to this and other problems of higher education.

Dr. Sterling has several times commented on the delightful luncheon which we had with you in Washington. I know he is enthusiastically looking forward to another such occasion when you return to the Stanford campus after so many years away.

Warmest best wishes.

Sincerely,

LYLE M. NELSON,
Director, University Relations.

(See National Science Foundation, p. 1369)

NATIONAL SCIENCE FOUNDATION,
OFFICE OF THE DIRECTOR,
Washington, D.C., August 20, 1962.

HON. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of the Independent Offices Appropriation Bill for 1963, U.S. Senate, Washington, D.C.

MY DEAR SENATOR MAGNUSON: One of the important and promising scientific efforts being sponsored by the National Science Foundation is Project Mohole, which, as you know, has the objective of drilling through the earth's crust to the mantle. This project can only be accomplished with the full cooperation and participation of individuals and organizations in many scientific and technical fields. For this reason, I respectfully request an opportunity to clarify and supplement the public record concerning the manner and basis for awarding the prime contract, for the accomplishment of this project, to Brown & Root, Inc., of Houston, Tex.

On August 16, 1962, representatives of the Foundation appeared before the Senate Subcommittee in Charge of Independent Offices Appropriations to discuss our appropriation for fiscal year 1963. During the course of these hearings, a number of well-considered and detailed questions were raised concerning contracting methods and the judgments involved in awarding the prime contract.

After reviewing the transcript of the hearings, I feel that our responses to the questions asked may not have provided the full development of all the considerations involved in selecting the prime contractor for this project.

The decision to award the prime contract to Brown & Root, Inc., was based solely on my judgment after full consideration of the studies and recommendations of the review and evaluation panels and discussions with my senior colleagues at the Foundation as well as discussions with members of the National Science Board. This decision required selection from among three competent organizations, each with strengths in particular areas, and being approximately equal, in our judgment, in their total capabilities. In making this decision my principal concern was to make the choice which would assure that Project Mohole retained the essential characteristics of a scientific experiment.

The concept of this research project evolved from the cooperative efforts of a broad range of scientific and technical talent working under the leadership of the AMSOC Committee of the National Academy of Sciences. This Committee and its technical staff led the way in the development of the ship positioning and other unique techniques so successfully employed in the conduct of phase I of Project Mohole. In my judgment the key to success in phase II was to extend this broad cooperative approach so that the National Academy of Sciences AMSOC Committee and the National Science Foundation could provide scientific and technical direction to the project through a prime contractor.

Experience with phase I demonstrated the feasibility of Project Mohole, the uniqueness of the undertaking, the complexities of the scientific and technical problems and the need for a high order of technological innovation and project management capability. Clearly all three of the organizations under consideration for prime contractor possessed, inhouse, some of the capabilities necessary to meet the challenge. It was equally clear that none of them possessed all these capabilities. To me, the essential elements or the choice among three qualified organizations were:

1. Which organization had the broadest experience in managing and coordinating the conduct of large engineering projects.
2. Which organization had the greatest demonstrated ability to marshal specialists in widely diversified fields into an effective engineering and operating team for the accomplishment of a specific major project.
3. To what extent had the organizations demonstrated their flexibility by successfully completing a wide variety of major projects on schedule and within estimated costs.
4. In what manner was provision to be made for Project Mohole within the total organization and what was the probable priority which would be accorded this project within the total operations of the corporation.

In terms of these essential elements I considered the report of the evaluation and review panels. In my judgment, Brown & Root, Inc., offered the best combination of management skills, and broad experience essential to the accomplishment of Project Mohole. The Foundation has strengthened its staff to provide scientific guidance for the project and is prepared to bring to bear on the more complex technical problems a wide range of competence from many universities and industrial organizations. Project Mohole is a scientific effort of international significance and I am sure that the proper combination of talents will be focused on the solution of the many problems which must be solved.

The National Science Foundation is gratified with the response received from industry to our invitation to submit proposals for Project Mohole. The selection of one proposal from so many worthwhile proposals was indeed a difficult task. The decision, in selecting a contractor, was made solely on the basis of the best interests of the Nation, of science, and in keeping with the most efficient and prudent use of public funds.

As stated in the Comptroller General's letter of June 18, 1962, to Senator Thomas H. Kuchel, which was included in the Congressional Record of June 20, 1962, on page 10343, the Foundation has carefully conformed with statutory requirements and accepted contracting practices of the Federal Government in soliciting proposals and in awarding the prime contract. It is understandable that all organizations would want to be assured that full consideration was given to their proposals. For this reason I appreciated the opportunity to respond to questions on this matter at the hearings before your committee. This letter will serve to provide a more complete record concerning the prime contract for Project Mohole and I respectfully request that it be inserted in the record of the hearings before the subcommittee in charge of independent offices appropriations on August 16, 1962.

Sincerely yours,

ALAN T. WATERMAN, *Director.*

(See Civil Defense Department of Defense, p. 126)

OFFICE OF CIVIL DEFENSE,
Salina, Kans., August 16, 1962.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR: In view of the present world situation, it is believed that the possibility of a nuclear attack on our country by our enemies is as great now or in the future as it has been in the past.

As a deterrent to an enemy attack, we believe that a strong civil defense program is essential for the survival of our country. This program should include, as well as other phases, the surveying, stocking, new supplies, and financial assistance to the owner of the shelters in order to bring these facilities up to a safe shelter for the public.

It is believed that adequate shelters is one of the important methods of protecting our population from nuclear attack.

Part of this program has been carried out; however, there remains much to be done. In order to complete the civil defense program, we urge your support for President Kennedy's request for civil defense funds and the entire $568,755,000 be restored to the civil defense program, which the House of Representatives previously rejected.

Sincerely yours,

EVERETT BISHOP,

Assistant Salina-Saline County Civil Defense Director; Vice President, Region II, Kansas State Civil Defense Council.

(See Civil Service Commission p. 279)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., August 16, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Subcommittee in Charge of Independent Office Appropriations Bill for 1963, U.S. Senate.

DEAR SENATOR MAGNUSON: As I indicated in the course of the appropriation hearing on August 7 I would welcome an opportunity to respond to your understandable and appropriate interest in ways and means to control the size of the Federal work force. Let me assure you that the President, along with the heads of the various executive departments and agencies, shares your desire to keep Federal employment at a level consistent with efficiency and justifiable changes in program and workload. In the Civil Service Commission we consider the pursuit of this objective a matter of major importance.

First, let me say the analytical chart prepared by your committee is an excellent tool to pinpoint significant changes in employment levels. The estimate of potential retirements is new information and should be particularly useful.

In the enactment of laws the Congress properly places responsibility for program management in the head of the designated department or agency charged with the administrative fulfillment of the statutes involved. This responsibility is subject to the executive direction of the President. The size of the organization established and the number of employees necessary to administer a given program are subject to the review leading to the development of the President's budget and are ultimately controlled by the appropriations voted by Congress. Although the basic responsibility for good management and effective utilization of manpower resources is that of the department or agency head, there are several ways in which the central staff agencies of the executive branch—the Bureau of the Budget, the Civil Service Commission, and the General Services Administration—can complement the efforts of the Appropriations Committees in controlling the growth in total Federal employment.

For example, the Commission can supply detailed information on the number and character of personnel retirements each year. In addition, through its inspection process the Commission has since November 1961 included a review of the systems and controls developed by Government agencies to assure optimum utilization of manpower. Finally, it is possible for the Commission to report on the manner in which the review of personnel separations of all kinds can contribute to a critical appraisal of the need for individual positions. I would like to pass along to you for your consideration some facts and observations on each of these points which I touched upon in the course of our discussion at the appropriation hearing.

First of all with respect to retirements, over three-fourths of employees retiring in the fiscal year 1961 had 5-year average salaries of less than $6,000, and 96.4 percent had salaries of less than $10,000. In that same year, 50,228 employee annuities were awarded based upon eligibility under the Civil Service Retirement Act. This number includes 3,365 cases where separation occurred before October 1, 1956, when the present retirement law became effective, and

thus are not current retirements. These particular employees, together with elected officials, have been excluded from the following table:

Civil service retirement system: Employee annuitants added to the roll in fiscal year 1961, classified by 5-year average salary

Average salary	Number	Percent
Under $6,000	36,148	77.2
$6,000 to $6,999	4,946	10.6
$7,000 to $7,999	2,081	4.4
$8,000 to $8,999	1,169	2.5
$9,000 to $9,999	822	1.7
$10,000 to $10,999	618	1.3
$11,000 to $11,999	434	.9
$12,000 to $12,999	248	.5
$13,000 to $13,999	177	.4
$14,000 to $14,999	77	.2
$15,000 to $15,999	37	.1
$16,000 and over	80	.2
Total	46,837	100.0

The manpower utilization reviews conducted by the Commission since November 1961 have been primarily of a factfinding nature. They are directly geared to the program manager's responsibility for determining the manpower needs and for insuring that the most productive and efficient use is made of the authorized work force. The review we conduct covers the methods used for determining manpower requirements, the manner in which the utilization of civilian employees is periodically reviewed by agencies, the identification of significant changes in agency staffing patterns, and the identification of significant problems or achievement in the conservation of manpower.

In view of your interest in the review of vacancies as a means of controlling personnel strength, I would like to offer some comments on this subject. From my study of separation statistics I note that only 10 percent of the individuals leaving the active service during calendar year 1961 departed via the retirement route. The great bulk of separations was the result of voluntary quits, termination of temporary appointments, and reductions in force. During the same year, 72 percent of the separations was attributable to these three causes. The remaining 18 percent, other than retirements, was attributable to transfers to other agencies, deaths, and dismissals.

Obviously, positions that are vacated because of reductions in force or terminations of temporary appointments will not be refilled since the purpose of these actions is to eliminate the positions. In the case of retirements, voluntary quits, and dismissals it is certainly sound management practice to have a current and critical evaluation of the necessity for refilling the position which has been vacated. In the first place, the existence of the vacancy should offer the opportunity to determine whether a reorganization of functions and staffing can be accomplished to secure more efficient performance. Further, good position classification procedure requires that every job that is vacated be studied to determine whether the existing grade is warranted in the event the position should be refilled.

These particular practices follow the line of reasoning that you offered at the hearing and are strongly endorsed by the Commission. It is our responsibility to assure that this objective of checking every vacancy is followed by managers throughout the executive branch. I have discussed this idea with the Director of the Bureau of the Budget and he concurs that agencies should be instructed through Budget directives on behalf of the President to follow these practices regularly as program estimates are being formulated each year. It is our hope that there will be an increasing awareness of the necessity for checking on the program and workload requirement in examining each vacancy as it occurs.

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

(See Housing and Home Finance Agency (pp. 739, 758))

NATIONAL ASSOCIATION OF REAL ESTATE BOARDS,
REALTORS' WASHINGTON COMMITTEE,
Washington, D.C., August 16, 1962.

Hon. JOHN O. PASTORE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PASTORE: On behalf of the National Association of Real Estate Boards, an organization of more than 72,000 real estate brokers in over 1,400 local real estate boards, I strongly urge that your subcommittee restore cuts made by the House of Representatives in these two areas:

1. *FHA operating expenses.*—The House reduced by almost 12 percent the moneys estimated to be required by the Federal Housing Administration for administrative and nonadministrative (field) expenses. As a result, the FHA has been forced to reduce its use of fee appraisers and to curtail the use of overtime to meet heavy application processing demands. Many realtors have already contacted this office complaining that the cutback is adversely affecting FHA's service to home buyers.

I am confident that you are aware that the FHA earns more from fees, charges, and insurance premiums than it needs for its operating expenses. This makes the drastic cutback all the more difficult to understand.

2. *Urban studies and housing research.*—The budget requested an appropriation of $1,450,000 which was reduced by the House to $375,000. We urge that your subcommittee approve the entire amount in order that the Housing and Home Finance Agency might continue some studies already started and initiate others which we believe will provide useful analytical tools for both industry and Government.

For example, the survey of housing market transactions to be carried out by the Bureau of Census would provide a rich body of data to assist in arriving at policy decisions relating to most of the programs administered by the HHFA and its constituent agencies.

Another statistical service on the volume of sales and prices of new homes will develop data which the FHA needs to provide the greatest protection to the home buying public.

I will not take the time to explain all the programs involved, but each is motivated by a sincere desire to gear all the Federal housing programs toward greater service to the consumer. Each will assist the agencies involved to meet more effectively the mandates expressed by the Congress in the many housing statutes which have been enacted over the past several years.

Your sympathetic consideration of this request will be greatly appreciated.

Sincerely yours,

HENRY E. POGUE, *Chairman.*

CONCLUSION OF HEARINGS

Senator MAGNUSON. If there are no further questions, thank you very much, gentlemen.

(Whereupon, at 1:35 p.m., Thursday, August 16, 1962, the committee adjourned, subject to the call of the Chair.)

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